

INPUT TAX CREDIT



The section numbers referred to in the Chapter pertain to CGST Act and rule numbers referred to in the Chapter pertain to CGST Rules, unless otherwise specified. For the sake of brevity, input tax credit has been referred to as ITC in this Chapter. Examples/Illustrations/Questions and Answers given in the Chapter are based on the position of GST law existing as on 30.04.2026.

LEARNING OUTCOMES

After studying this Chapter, you will be able to:

- ❑ describe what are inputs, input services, capital goods and other relevant terms in relation to ITC.
- ❑ explain the various conditions, timelines, restrictions and processes for taking ITC on goods and services in general and special circumstances.
- ❑ identify the items on which ITC is available as also the blocked items on which ITC is not available.
- ❑ comprehend and apply the above provisions as also the provisions relating to utilization of ITC to compute the GST liability of a registered person.

CHAPTER OVERVIEW**Input Tax credit**

Relevant definitions

Eligibility and conditions for taking ITC

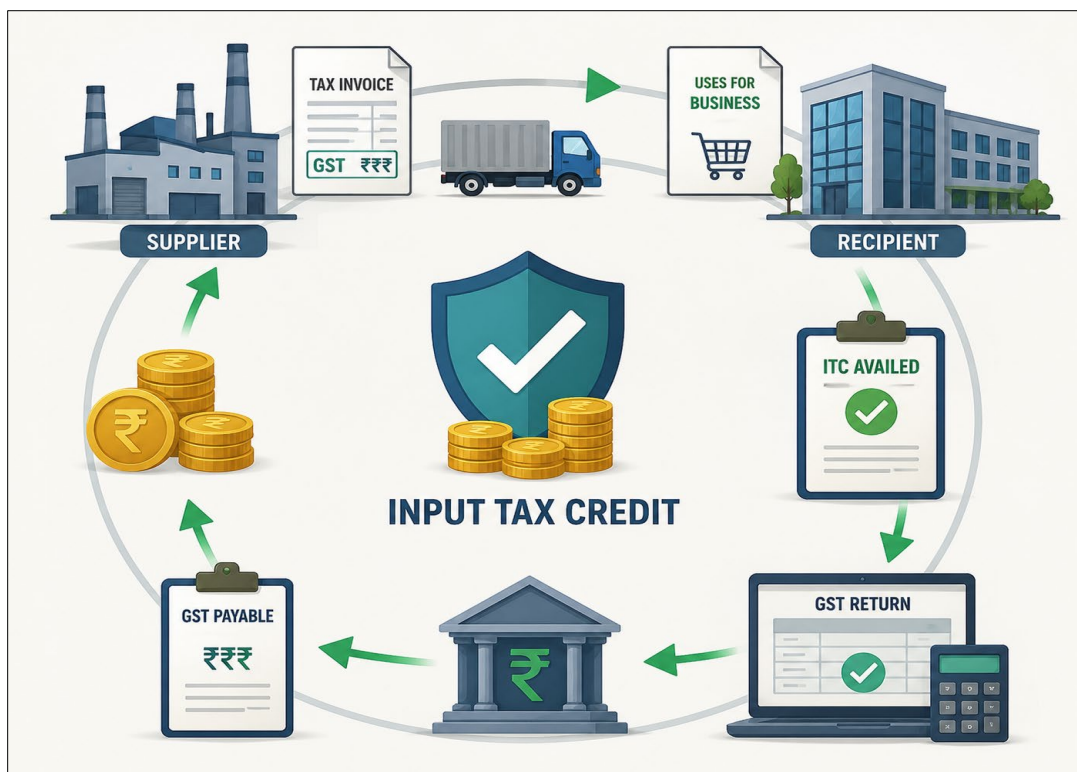
Blocked credits

Availability of credit in special circumstances

How ITC is utilised

 1. INTRODUCTION

In earlier indirect tax regime, the credit mechanism for indirect taxes levied by the Union Government, (central excise duty and service tax) was governed by the CENVAT Credit Rules, 2004; and the credit mechanism for state-level on sale of goods was governed by the States under their respective VAT laws. The VAT legislations allowed ITC of VAT on inputs and capital goods in transactions within the State, but not on inputs and capital goods coming in the State from outside the State, on which central sales tax was paid. CENVAT Credit Rules, 2004 allowed availing and utilizing credit of duty/tax paid on both goods (capital goods and inputs) and services by the manufacturers and the service providers across the country.



The credit across goods and services was integrated vide the CENVAT Credit Rules, 2004 in the year 2004 to mitigate the cascading effects of central levies namely, central excise duty and service tax. However, the credit chain remained fragmented on account of State-Level VAT as the credit of central taxes could not be set off against a State levy and *vice versa*. The chain further got distorted as ITC was not available on the inter-State purchases. This resulted in cascading of taxes leading to increase in costs of goods and services.

The GST regime promises seamless credit on goods and services across the entire supply chain with some exceptions like supplies charged to tax under composition scheme, blocked credits and supply of exempted goods and/or services. ITC is considered to be the lifeline of the GST regime. In fact, it is the provisions of ITC, which essentially make GST - a value added tax i.e., collection of tax at all points of supply chain after allowing credit of tax paid at earlier points.

Chapter V of the CGST Act [Sections 16 to 21] & Chapter V: Input Tax Credit of the CGST Rules [Rules 36-45] prescribe the provisions relating to ITC. Further, section 41 contains provisions for availment of ITC, sections 49(5), 49A, 49B and rule 88A which together prescribe the sequence of utilisation of ITC and rules 86A and 86B stipulate the conditions of use of amount available in electronic credit ledger and restrictions on use of amount available in electronic credit ledger. State GST laws also prescribe identical provisions in relation to ITC. In this Chapter, provisions of sections 16, 17, 18 and 41 have been discussed;¹ first the statutory provisions of these sections together with the relevant rules have been extracted followed by their analysis.

Provisions of ITC under the CGST Act have also been made applicable to the IGST Act vide section 20 of the IGST Act.

Scheme of ITC - At a Glance

Given below are the salient features of the scheme of ITC as contained in the provisions of sections 16, 17 and 18 read with the relevant rules. The scheme has been discussed in detail in the ensuing pages of this Chapter.

- ❑ The scheme is designed to avoid cascading effect of taxes and make GST - a destination-based tax.
- ❑ Broadly, ITC is available on all inputs, input services and capital goods used for purposes of business by a taxable person. The exception is 'blocked credit', where ITC is not available even when these goods or services are used for the purposes of business.
- ❑ ITC is used for payment of tax on taxable output supply to avoid cascading effect of taxes.
- ❑ GST law does not require 'one to one' co-relation between inputs/input services and final products/services. Any eligible ITC can be used for payment of tax on any taxable output supply.

¹Provisions of ITC relating to job work and input service distributor (ISD) [Sections 19, 20 and 21] and provisions relating to ITC claim by banking companies, distribution of ITC by ISD, determination of ITC on inputs, input services and capital goods and reversal thereof [Rules 38, 39, 42 and 43] will be discussed at the Final level.

- ❑ IGST is another core aspect of GST. It is a transitory tax to enable transfer of ITC when goods or services move from one State to another. This is a unique feature of Indian GST.
- ❑ Since ITC can be availed & utilized for payment of tax on taxable output supply, as a natural corollary, ITC cannot be availed in respect of exempt output supply on which tax is not payable.
- ❑ The exception to the above principle is 'zero rated supply'².
- ❑ If a taxable person is making both taxable and exempt supply, he is entitled to avail full credit of ITC in respect of inputs, input services and capital goods exclusively used for taxable supply and no credit at all can be availed for inputs, input services and capital goods exclusively used for exempt supply.
- ❑ If common inputs, input services and capital goods are used for taxable as well as exempt supply, only proportionate ITC attributable to the taxable supply is available. The common ITC is apportioned in the ratio of value of taxable supply and exempt supply. *Elaborate provisions have been made in the GST law to prescribe the manner of calculation of proportionate ITC. However, same is not discussed in this Study material as it will be discussed only at the Final Level.*

Before proceeding to understand the provisions of sections 16, 17, 18, 41 and the relevant rules, let us first go through few relevant definitions.

2. RELEVANT DEFINITIONS

- ❑ **Agent** means a person, including a factor, broker, commission agent, *arhatia*, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another [Section 2(5)].

² Zero-rated supply refers to exports and supplies made to SEZ units/developers. In simple words, it means that in effect, exports and supplies made to SEZ will not bear burden of GST- neither on the output supply itself nor on the inputs and input services used to make it. This is done in two ways. Either (i) exports or supplies to SEZ units/developers are made without payment of GST and refund of unutilised ITC on inputs can be claimed or (ii) IGST can be paid on exports or supplies to SEZ units/developers utilizing ITC and then a refund of that ITC can be claimed. The concept of zero- rated supply and the refund of ITC will be dealt in detail at the Final level. This is only for the information of the students.

❑ **Business** includes

- (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;
- (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);
- (c) any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;
- (d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
- (f) admission, for a consideration, of persons to any premises;
- (g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;
- (h) activities of a race club including by way of totalisator or a licence to book maker or activities of a licenced book maker in such club; and
- (i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities [Section 2(17)].

❑ **Capital goods** means goods, the value of which is capitalized in the books of account of the person claiming the ITC and which are used or intended to be used in the course or furtherance of business [Section 2(19)].

❑ **Conveyance** includes a vessel, an aircraft and a vehicle [Section 2(34)].

❑ **Exempt supply** means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the IGST Act, and includes non-taxable supply [Section 2(47)].

❑ **Input** means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business [Section 2(59)].

- ❑ **Input service** means any service used or intended to be used by a supplier in the course or furtherance of business [Section 2(60)].
- ❑ **Input tax** in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—
 - (a) the integrated goods and services tax charged on import of goods;
 - (b) the tax payable under the provisions of sub-sections (3) and (4) of section 9;
 - (c) the tax payable under the provisions of sub-section (3) and (4) of section 5 of the IGST Act;
 - (d) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 9 of the respective State Goods and Services Tax Act; or
 - (e) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 7 of the Union Territory Goods and Services Tax Act,but does not include the tax paid under the composition levy[Section 2(62)].
- ❑ **Input tax credit** means the credit of input tax[Section 2(63)].
- ❑ **Invoice or tax invoice means** the tax invoice referred to in Section 31 [Section 2(66)].
- ❑ **Inward supply** in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration [Section 2(67)].
- ❑ **Motor vehicle** shall have the same meaning as assigned to it in clause (28) of section 2 of the Motor Vehicles Act, 1988 [Section 2(76)].

Motor vehicle or vehicle under the Motor Vehicles Act, 1988 means any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted thereto from an external or internal source and includes a chassis to which a body has not been attached and a trailer; but does not include a vehicle running upon fixed rails or a vehicle of a special type adapted for use only in a factory or in any other enclosed premises or a vehicle having less than four wheels fitted with engine capacity of not exceeding twenty five cubic centimetres. [Section 2(28) of Motor Vehicles Act, 1988].

- ❑ **Non-resident taxable person** means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India [Section 2(77)].
- ❑ **Principal** means a person on whose behalf an agent carries on the business of supply or receipt of goods or services or both [Section 2(88)].
- ❑ **Quarter** shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year [Section 2(92)].
- ❑ **Recipient** of supply of goods or services or both, means—
 - (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
 - (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
 - (c) where no consideration is payable for the supply of a service, the person to whom the service is rendered,

and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].

- ❑ **Registered person** means a person who is registered under section 25 of CGST Act but does not include a person having a Unique Identity Number [Section 2(94)].
- ❑ **Supplier** in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied:

Provided that a person who organises or arranges, directly or indirectly, supply of specified actionable claims, including a person who owns, operates or manages digital or electronic platform for such supply, shall be deemed to be a supplier of such actionable claims, whether such actionable claims are supplied by him or through him and whether consideration in money or money's worth, including virtual digital assets, for supply of such actionable

claims is paid or conveyed to him or through him or placed at his disposal in any manner, and all the provisions of this Act shall apply to such supplier of specified actionable claims, as if he is the supplier liable to pay the tax in relation to the supply of such actionable claims. [Section 2(105)].

- ❑ **Taxable supply** means a supply of goods or services or both which is leviable to tax under CGST Act [Section 2(108)].
- ❑ **Works contract** means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract [Section 2(119)].

3. ELIGIBILITY AND CONDITIONS FOR TAKING INPUT TAX CREDIT [SECTION 16]

 STATUTORY PROVISIONS		
Section 16	Eligibility and conditions for taking input tax credit	
Sub-section	Clause	Particulars
(1)		<i>Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.</i>
(2)		<i>Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,–</i>
	(a)	<i>he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;</i>

	(aa)	the details of the invoice or debit note referred to in clause (a) has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37;
	(b)	he has received the goods or services or both.
		<i>Explanation.</i> —For the purposes of this clause, it shall be deemed that the registered person has received the goods or, as the case may be, services—
		(i) where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;
		(ii) where the services are provided by the supplier to any person on the direction of and on account of such registered person.
	(ba)	the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted;
	(c)	subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and
	(d)	he has furnished the return under section 39:
Provided that where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment:		
Provided further that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax		

	is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be paid by him along with interest payable under section 50, in such manner as may be prescribed: Provided also that the recipient shall be entitled to avail of the credit of input tax on payment made by him to the supplier of the amount towards the value of supply of goods or services or both along with tax payable thereon.				
(3)	Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.				
(4)	A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the thirtieth day of November following the end of financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.				
(6)	Where registration of a registered person is cancelled under section 29 and subsequently the cancellation of registration is revoked by any order, either under section 30 or pursuant to any order made by the Appellate Authority or the Appellate Tribunal or court and where availment of input tax credit in respect of an invoice or debit note was not restricted under sub-section (4) on the date of order of cancellation of registration, the said person shall be entitled to take the input tax credit in respect of such invoice or debit note for supply of goods or services or both, in a return under section 39,— <table> <tr> <td>(i)</td><td>filed upto thirtieth day of November following the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier; or</td></tr> <tr> <td>(ii)</td><td>for the period from the date of cancellation of registration or the effective date of cancellation of</td></tr> </table>	(i)	filed upto thirtieth day of November following the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier; or	(ii)	for the period from the date of cancellation of registration or the effective date of cancellation of
(i)	filed upto thirtieth day of November following the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier; or				
(ii)	for the period from the date of cancellation of registration or the effective date of cancellation of				

		registration, as the case may be, till the date of order of revocation of cancellation of registration, where such return is filed within thirty days from the date of order of revocation of cancellation of registration,
	whichever is later.	
Section 41	Availment of input tax credit	
(1)	Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to avail the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited to his electronic credit ledger.	
(2)	The credit of input tax availed by a registered person under sub-section (1) in respect of such supplies of goods or services or both, the tax payable whereon has not been paid by the supplier, shall be reversed along with applicable interest, by the said person in such manner as may be prescribed. Provided that where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him in such manner as may be prescribed.	
Chapter V: Input Tax Credit of the CGST Rules		
Rule 36	Documentary requirements and conditions for claiming input tax credit	
(1)	The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents, namely:-	
	(a)	an invoice issued by the supplier of goods or services or both in accordance with the provisions of section 31;
	(b)	an invoice issued in accordance with the provisions of clause (f) of sub-section (3) of section 31, subject to the payment of tax;
	(c)	a debit note issued by a supplier in accordance with the provisions of section 34;

	(d)	<i>a bill of entry or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for the assessment of integrated tax on imports;</i>
	(e)	<i>an input service distributor invoice or input service distributor credit note or any document issued by an input service distributor in accordance with the provisions of sub-rule (1) of rule 54.</i>
(2)	<i>Input tax credit shall be availed by a registered person only if all the applicable particulars as specified in the provisions of Chapter VI are contained in the said document.</i> <i>Provided that if the said document does not contain all the specified particulars but contains the details of the amount of tax charged, description of goods or services, total value of supply of goods or services or both, GSTIN of the supplier and recipient and place of supply in case of inter-State supply, input tax credit may be availed by such registered person.</i>	
(3)	<i>No input tax credit shall be availed by a registered person in respect of any tax that has been paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts under section 74.</i>	
(4)	<i>No input tax credit shall be availed by a registered person in respect of invoices or debit notes the details of which are required to be furnished under subsection (1) of section 37 unless,-</i> <i>(a) the details of such invoices or debit notes have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1, as amended in FORM GSTR-1A if any, or using the invoice furnishing facility; and</i> <i>(b) the details of input tax credit in respect of such invoices or debit notes have been communicated to the registered person in FORM GSTR-2B under sub-rule (7) of rule 60.</i>	

Rule 37	Reversal of input tax credit in the case of non-payment of consideration
(1)	A registered person, who has availed of input tax credit on any inward supply of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, but fails to pay to the supplier thereof, the amount towards the value of such supply whether wholly or partly, along with the tax payable thereon, within the time limit specified in the second proviso to sub-section (2) of section 16, shall pay or reverse an amount equal to the input tax credit availed in respect of such supply, proportionate to the amount not paid to the supplier, along with interest payable thereon under section 50, while furnishing the return in FORM GSTR-3B for the tax period immediately following the period of one hundred and eighty days from the date of the issue of the invoice. Provided that the value of supplies made without consideration as specified in Schedule I of the said Act shall be deemed to have been paid for the purposes of the second proviso to sub-section (2) of section 16. Provided further that the value of supplies on account of any amount added in accordance with the provisions of clause (b) of sub-section (2) of section 15 shall be deemed to have been paid for the purposes of the second proviso to sub-section (2) of section 16.
(2)	Where the said registered person subsequently makes the payment of the amount towards the value of such supply along with tax payable thereon to the supplier thereof, he shall be entitled to re-avail the input tax credit referred to in sub-rule (1).
(4)	The time limit specified in sub-section (4) of section 16 shall not apply to a claim for re-availing of any credit, in accordance with the provisions of the Act or the provisions of this Chapter, that had been reversed earlier.
Rule 37A	Reversal of input tax credit in the case of non-payment of tax by the supplier and re-availment thereof
	Where input tax credit has been availed by a registered person in the return in FORM GSTR-3B for a tax period in respect of such

invoice or debit note, the details of which have been furnished by the supplier in the statement of outward supplies in FORM GSTR-1, as amended in FORM GSTR-1A if any, or using the invoice furnishing facility, but the return in FORM GSTR-3B for the tax period corresponding to the said statement of outward supplies has not been furnished by such supplier till the 30th day of September, following the end of the financial year in which the input tax credit in respect of such invoice or debit note has been availed, the said amount of input tax credit shall be reversed by the said registered person, while furnishing a return in FORM GSTR-3B on or before the 30th day of November following the end of the financial year

Provided that where the said amount of input tax credit is not reversed by the registered person in a return in FORM GSTR-3B on or before the 30th day of November following the end of such financial year during which such input tax credit has been availed, such amount shall be payable by the said registered person along with interest thereon under section 50.

Provided further that where the said supplier subsequently furnishes the return in FORM GSTR-3B for the said tax period, the said registered person may re-avail the amount of such credit in the return in FORM GSTR-3B for a tax period thereafter.



ANALYSIS

(i) Eligibility for taking ITC [Section 16(1)]

(a) Registration under GST

Every registered person shall be entitled to ITC of GST charged on inward supply of goods and / or services. This is subject to the provisions relating to use of ITC under section 49 and the conditions and restrictions prescribed in the relevant rules. *[Section 49 prescribes provisions relating to payment of tax, interest, penalty & other amounts. The same has been discussed in detail in Chapter 13: Payment of Tax in this Module of the Study Material.]*

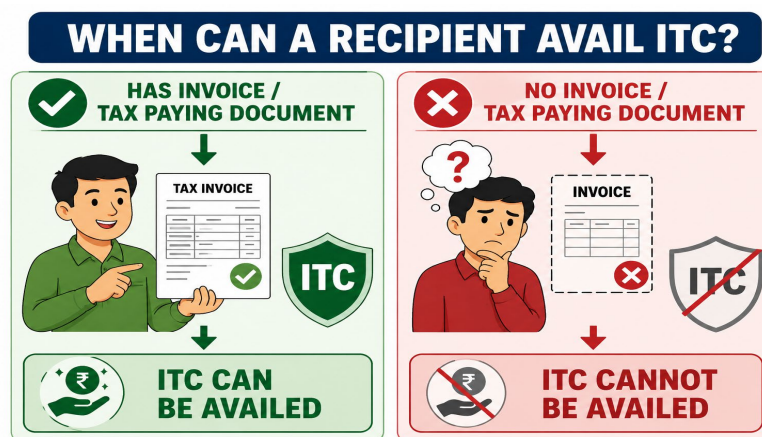
(b) Goods/services to be used for business purposes

ITC of GST will be available on goods and/or services which are used or intended to be used in the course or furtherance of the business [See definition of business]. The "intention to use" the goods and/or services in the course or furtherance of business would also suffice for availing ITC on such goods and/or services. Thus, tax paid on goods and or/services which are used or intended to be used for non-business purposes cannot be availed as credit. ITC will be credited to electronic credit ledger.

(ii) Conditions for taking ITC [Section 16(2)]

This sub-section starts with a non-obstante clause and hence all the conditions specified therein must be fulfilled irrespective of fulfillment of any other conditions given under any other sub-section of section 16 for the purpose of taking of input tax credit. The registered person will be entitled to ITC on an inward supply only if **ALL** the following **six** conditions are fulfilled:

(a) Possession of tax paying document [Section 16(2)(a) read with rule 36]

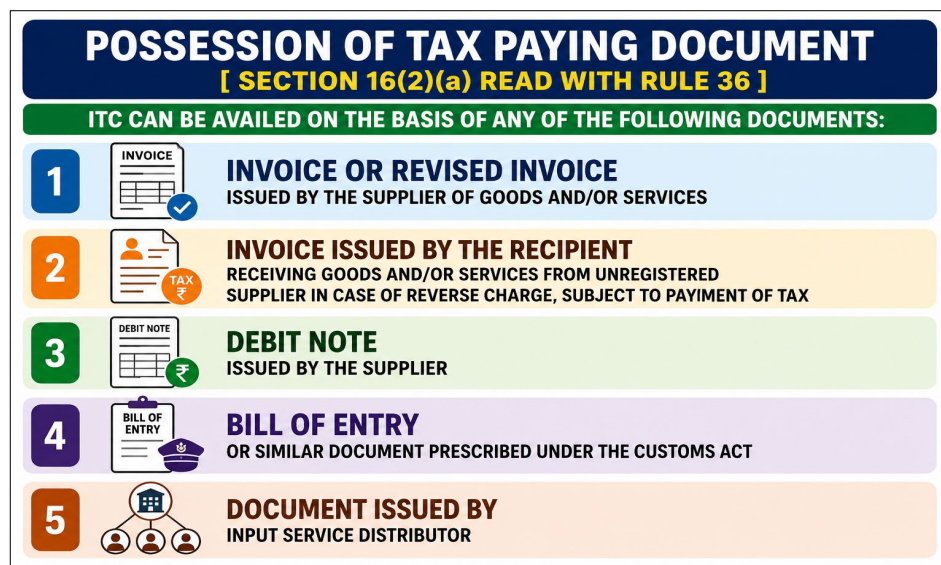


ITC can be availed on the basis of any of the following documents:

- (i) Invoice or revised invoice³ issued by the supplier of goods and/or services

³ Provisions relating to revised invoice have been discussed in detailed in Chapter 10: Tax Invoice: Credit and Debit Notes in this Module of the Study Material.

- (ii) Invoice issued by the recipient receiving goods and/or services from unregistered supplier in case of reverse charge, subject to payment of tax
- (iii) Debit note issued by the supplier
- (iv) Bill of entry or similar document prescribed under the Customs Act⁴
- (v) Document issued by input service distributor⁵



The documents on the basis of which ITC is being taken should contain **at least** the following details:

- (i) Amount of tax charged
- (ii) Description of goods or services
- (iii) Total value of supply of goods and/or services
- (iv) GSTIN of the supplier and recipient
- (v) Place of supply in case of inter-State supply

⁴Provisions relating to the Customs Act, 1962 will be dealt with at the Final level.

⁵Concept of Input Service Distributor (ISD) will be dealt with at the Final level.

No ITC of tax paid towards demands involving fraud [Rule

36(3)]: Tax paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts under section 74⁶ cannot be availed as ITC.



(b) Details of invoices/debit notes uploaded by the supplier in his GSTR-1 or using IFF and details communicated in Form GSTR-2B [Section 16(2)(aa) read with rule 36(4)]

ITC in respect of any supply of goods or services or both can be taken by a registered person only if the details of the invoice/debit note in respect of said supply have been furnished by the supplier in the statement of outward supplies (Form GSTR-1, as amended in FORM GSTR-1A if any, or using IFF) and such details have been communicated to the recipient of such invoice/debit note in Form GSTR-2B.

GSTR-1 is a monthly/quarterly statement containing details of outward supplies made by a registered supplier. In case where GSTR-1 is furnished quarterly under QRMP (Quarterly Return Monthly Payment) scheme, supplier can furnish such details for 1st two months of the quarter using invoice furnishing facility (IFF). This facility is provided to the taxpayer, to pass on the credit to their recipients.

Such details of outward supplies furnished by the supplier are communicated and made available electronically (auto populated) to the respective recipient(s) in GSTR- 2B. GSTR-2B is an auto-generated ITC statement for every registered person based on details furnished in GSTR-1/using IFF by the supplier⁷.

GSTR-1A is a form wherein a registered person at his own option, amend or furnish additional details of outward supplies of goods and/or services after furnishing the details of outward supplies of goods and/or service in FORM GSTR-1 for a tax period but before filing of return in FORM GSTR-3B for the said tax period.

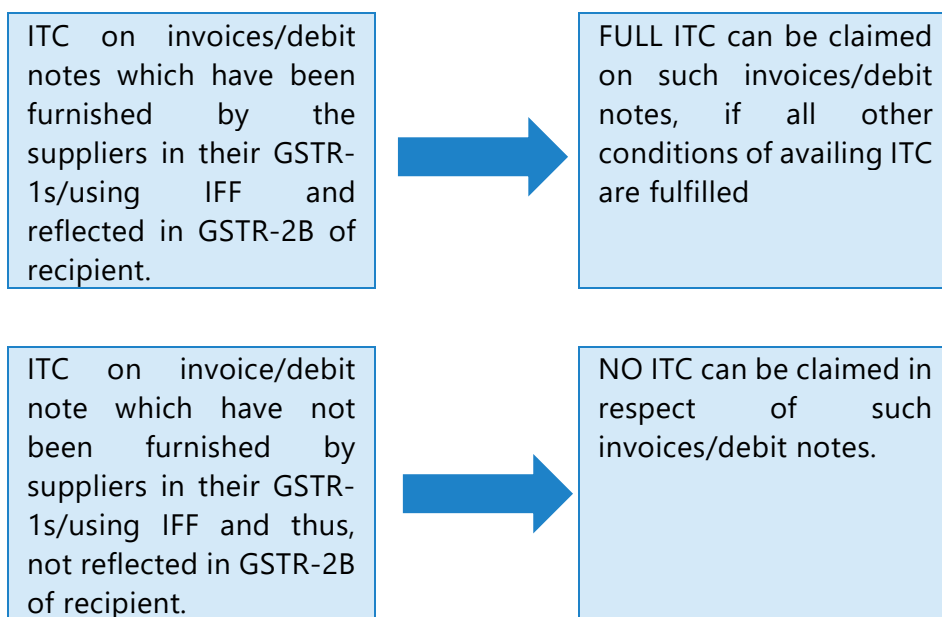
⁶ Section 74 contains the provisions for determination of tax not paid or short paid or erroneously refunded or ITC wrongly availed or utilized by reason of fraud or any wilful-misstatement or suppression of facts, pertaining to the period upto financial year 2023-24.

⁷The provisions relating to QRMP, filing of GSTR-1/IFF, GSTR-1A and GSTR-2B have been discussed in detail in Chapter 15: Returns in this Module of the Study Material.

Thus, in respect of invoices/debit notes the details of which are not furnished by the suppliers in their GSTR-1s, as amended in FORM GSTR-1A if any, or using IFF (and thus they are not visible in GSTR-2B of the recipient), ITC cannot be availed by such recipient.

ITC on such invoices/debit notes, not reflected in GSTR-2B of the current month, may be claimed by the taxpayer in any of the succeeding months when the details of said invoices/debit notes are furnished by the suppliers.

The above concept has been illustrated as follows:



★ **Invoices on which ITC is not available under any of the provisions e.g., under section 17(5), are not to be considered for claiming ITC even though furnished by the suppliers.**

★ **On the other hand, full ITC can be availed in respect of IGST paid on imports, documents issued under reverse charge, credit received from ISD etc., which are outside the ambit of section 37(1).**

ILLUSTRATION 1

Vijay Sales, a registered supplier, receives 100 invoices (for inward supply of goods/ services) involving GST of ₹ 10 lakh, from various suppliers during the month of October.

Out of 100 invoices, details of 80 invoices involving GST of ₹ 6 lakh have been furnished by the suppliers in their respective GSTR-1s filed on the prescribed due date therefor and are reflected in GSTR-2B of Vijay Sales. There was no amendment made in GSTR-1s by such suppliers using GSTR-1A for the month of October.

Compute the ITC that can be claimed by Vijay Sales in its GSTR-3B for the month of October to be filed by 20th November assuming that GST of ₹ 10 lakh is otherwise eligible for ITC.

ANSWER

ITC to be claimed by Vijay Sales in its GSTR-3B for the month of October to be filed by 20th November will be computed as under-

Invoices	Amount of ITC involved in the invoices (₹)	Amount of ITC that can be availed (₹)
80 invoices furnished in GSTR-1	6 lakh	6 lakh [Refer Note 1]
20 invoices not furnished in GSTR-1	4 lakh	Nil [Refer Note 2]
Total	10 lakh	6lakh

Notes:

- (1) 100% ITC can be availed on invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of Vijay Sales.
- (2) As per rule 36(4), the ITC in respect of invoices not furnished by the suppliers in their GSTR-1s and thus, not being reflected in

GSTR-2B of recipient, cannot be claimed. Thus, in respect of 20 invoices which are not furnished in GSTR-1s of suppliers and are not reflected in GSTR-2B of Vijay Sales, no ITC can be availed⁸.

(c) Receipt of the goods and / or services [Section 16(2)(b)]

The registered person taking the ITC must have received the goods and / or services.

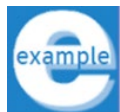
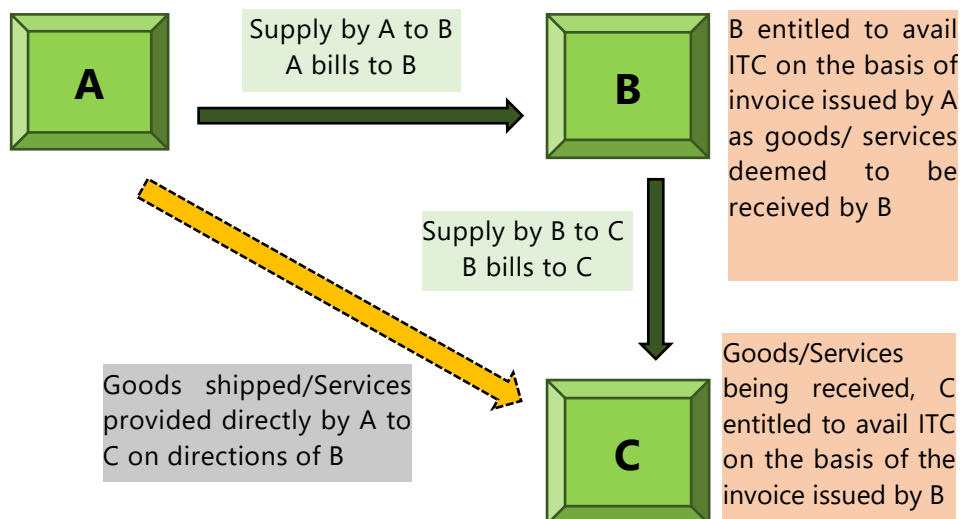
“Bill to Ship to” Model: Under this model, the goods are delivered to a third party - ‘C’ on the direction of the customer (registered person)– ‘B’ who purchases the goods from the vendor (supplier) – ‘A’. In other words, ‘A’ bills to ‘B’ but ships the goods to ‘C’ on direction of ‘B’. In effect, two supplies take place in this scenario viz., from ‘A’ to ‘B’ and from ‘B’ to ‘C’. Thus, under this model, the customer (registered person) who receives such goods does not actually receive the said goods.

For such cases, by virtue of **explanation to section 16(2)(b)**, it is deemed that the registered person (customer) has received the goods. In other words, goods delivered to another person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. So, ITC will be available to the registered person, on whose order the goods are delivered to a third person.

Similarly, services may also be provided to a third party by the service provider (supplier) on the direction of the service recipient (registered person). In this case also, though the service recipient (registered person) does not receive the service, by virtue of explanation to section 16(2)(b) it is deemed that the registered person (service recipient) has received the service. In other words, service provided to any person on the direction of and on account of the registered person, is deemed to have been received by such registered person. So, ITC will be available

⁸Let us suppose, subsequently, the suppliers of these 20 invoices furnish the details of said invoices in their GSTR-1s for the month of November, the details shall be reflected in GSTR-2B of Vijay Sales of November month and Vijay Sales can take credit of such invoices in its GSTR-3B for the month of November.

to the registered person, on whose direction the services are provided to a third person.



(1) Badri is a trader who places an order on Aatmaram for a consignment of soda ash. Badri receives a buying order from Champak for the same quantity of soda ash. Badri instructs Aatmaram to deliver the goods to Champak, and in turn Aatmaram raises an invoice on Badri as Badri is the actual buyer of the goods who have instructed Aatmaram to deliver the goods to Champak. Though the goods are not physically received at the premises of Badri, section 16(2)(b) allows ITC of such goods to Badri.



(2) The registered head office (New Delhi) of ABC Pvt. Ltd. enters into a contract with DEF Pvt. Ltd. of New Delhi for repair and maintenance of computers systems installed at its registered branch office in Bengaluru, Karnataka. DEF Pvt. Ltd. issues an invoice on ABC Pvt. Ltd., New Delhi for the services provided by it. Though the actual services are received by the branch office and not by the head office, section 16(2)(b) allows ITC of such repair and maintenance services to head office.

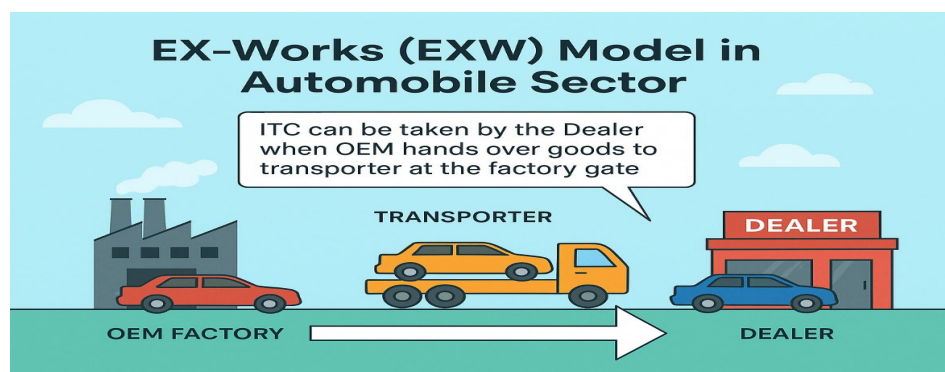
Clarification on availability of ITC in respect of goods delivered under ex-works contract

In automobile sector, the contract between the automobile dealers and the Original Equipment Manufacturers (OEMs) is generally an Ex-Works (EXW) contract, and as per the terms of the contract, the property in goods (i.e. vehicles) passes to the dealer at the factory gate of the OEM, when the goods are handed over to the transporter at the instance of the dealer, and the delivery on the part of the OEM is complete at his factory gate.

The transport may be arranged by the OEM on behalf of the dealer and where insurance is arranged, it may also be done on behalf of the dealer. Any claim in case of loss has to be lodged by the dealer.

The issue which arose for consideration was **whether ITC can be availed by the dealer only after the vehicles are physically received by automobile dealers at his business premises or ITC can be availed on the date the vehicles are billed to him and handed over to the transporter by the OEM at his factory gate.**

It has been clarified that in such a scenario, the property in the said goods can be considered to have been passed on to the dealer by the OEM upon handing over of the said goods to the transporter at his factory gate, meaning thereby that the goods can be considered to have been delivered to the registered person (the dealer), through the transporter, by the supplier (the OEM) at his factory gate and the supply of the said goods can be considered to have fructified at the factory gate of the OEM, even though the goods may be physically received by the registered person (the dealer) after the transit period.



Accordingly, it is clarified that as per Explanation to section 16(2)(b), **the registered person (the dealer) can be considered to have “received” the said goods at the time of such handing over of the goods by the supplier to the transporter, at his factory gate, for their onward transmission to the said registered person (the dealer).**

The same principle is applicable in respect of supply of other goods also where the contract between the supplier and recipient is an EXW (Ex Works) contract, and as per terms of the contract, the goods are to be delivered by the supplier to the recipient, or to any other person (including a transporter) on behalf of the recipient, at his (supplier's) place of business and the property in the goods stands transferred to the recipient at the time of such handing over.

In such cases, the said goods can be construed to have been “received” by the said recipient at the time of handing over the said goods to the recipient or to the transporter, as the case may be, as per provisions of section 16(2)(b).

It is also mentioned that as per provisions of section 16(1) (discussed earlier), a registered person is entitled to ITC only in respect of supply of goods and/or services, which is used or intended to be used in the course or furtherance of business.

Thus, if the goods are found to have been diverted for non-business purposes at any stage, either before physically receiving the said goods at his business premises or subsequently, the registered person shall not be entitled to ITC on such goods in terms of section 16(1).

Further, **if at any time after “receiving” the goods, such goods are lost, stolen, destroyed, written off or disposed of by way of gift or free samples**, the registered person **would not be entitled to the ITC** in respect of such goods as per provisions of section 17(5)(h) [Section 17(5) contains the provisions relating to Blocked credit and will be discussed subsequently in this chapter]⁹.

⁹ Circular No. 241/35/2024 GST dated 31.12.2024

(d) Details of ITC in respect of the said supply communicated to the registered person under section 38 not restricted [Section 16(2)(ba)]

Section 38 stipulates that the details of outward supplies furnished by the registered suppliers in GSTR-1 (as amended in Form GSTR-1A if any)/using IFF and an auto-generated statement containing the details of ITC is made available to the recipients of such supplies every month. This auto-generated statement is GSTR-2B.

GSTR-2B contains the details of inward supplies (i) on which ITC is available to the recipient as well as (ii) on which ITC cannot be availed, whether wholly or partly, by the recipient. Section 38 stipulates that ITC cannot be availed in case where the details of the outward supplies in GSTR-1/using IFF have been furnished by specified registered persons.

- ☐ Accordingly, ITC will not be available in respect of inward supplies details of which have been furnished by a registered supplier: who is a new registrant (within such prescribed period of taking registration).
- ☐ who has defaulted in payment of tax and where such default has continued for a prescribed period.
- ☐ whose output tax payable as per GSTR-1/IFF exceeds the output tax paid in GSTR-3B for a particular tax period by prescribed limit.
- ☐ who has availed ITC of an amount that exceeds the credit that can be availed by him as per GSTR-2B during prescribed period and by prescribed limit.
- ☐ who has defaulted in discharging his tax liability in accordance with the provisions of section 49(12) read with rule 86B, i.e. who has discharged more tax liability from electronic credit ledger than prescribed under rule 86B¹⁰.
- ☐ other specified classes of persons.

¹⁰Rule 86B provides that the registered person shall not utilise the amount available in electronic credit ledger to discharge his liability towards output tax in excess of 99% of such tax liability, in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds ₹ 50 lakh subject to specified exceptions. It has been discussed subsequently in this chapter.

(e) Tax leviable on supply actually paid to Government [Section 16(2)(c)]

The supplier should have actually paid the tax charged on the goods and/or services, for which ITC is being taken, either in cash or by utilizing ITC, subject to the provisions of section 41.

Availment of self-assessed ITC [Section 41]

A registered person can avail the credit of eligible ITC as self-assessed in his return. Such amount shall be credited to his electronic credit ledger.

Reversal of ITC in the case of non-payment of tax by the supplier and re-availment thereof [Section 41 read with rule 37A]

(I) Reversal of ITC: If the tax payable corresponding to such ITC availed is not paid by the supplier to the Government, ITC so availed shall be reversed by the said person along with applicable interest.

A registered person (recipient) can avail ITC in GSTR-3B for a tax period in respect of such invoice/debit note, the details of which have been furnished by its supplier in the statement of outward supplies (in Form GSTR-1, as amended in Form GSTR-1A, if any/using IFF).

However, if supplier does not furnish return in Form GSTR-3B for the tax period corresponding to the said statement of outward supplies till 30th September following the end of FY in which the ITC in respect of such invoice/ debit note has been availed; the said amount of ITC shall be reversed by the said recipient, while furnishing a return in GSTR-3B on or before 30th November following the end of such FY during which such ITC has been availed.

However, where the said amount of ITC is not so reversed by recipient, such amount shall be payable by the said person along with interest thereon under section 50.

(II) Re-availment of reversed ITC: Where the said supplier makes payment of the tax payable in respect of the aforesaid supplies, the said registered person may re-avail the amount of credit reversed by him.

Thus, where the said supplier subsequently furnishes the return in GSTR-3B for the said tax period, the said registered person may re-avail the amount of such credit in the return in GSTR-3B for a tax period thereafter.



(3) Jhamku, a registered supplier, supplies goods to Chamku valuing ₹ 10,000 on which he charged CGST and SGST of ₹ 900 each in the invoice raised in March, 2025.

Jhamku uploaded the details of the said invoice in his GSTR-1 for the said month filed before the due date based on which Chamku availed the said ITC of ₹ 900 each towards CGST and SGST while filing his GSTR-3B for March, 2025 as the said ITC was also reflected in his GSTR-2B. However, Jhamku failed to furnish the corresponding GSTR-3B (for the month of March, 2025) up to September, 2025.

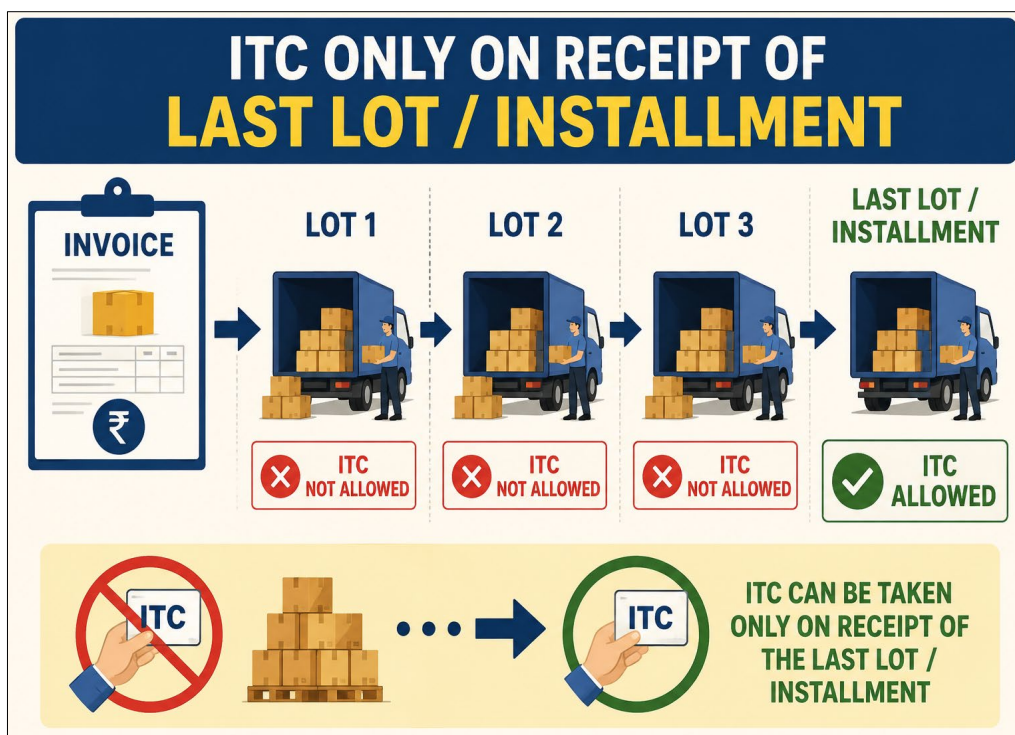
Accordingly, while filing GSTR-3B for the month of October, 2025 on 20th November, 2025, Chamku reversed an amount of ITC earlier availed by him. Subsequently, suppose if Jhamku files GSTR-3B on 20th December, 2025 and pays the said amount of ₹ 900 each towards CGST and SGST, Chamku can now re-avail the said input tax credit of ₹ 900 towards CGST and SGST which he has reversed earlier.

(f) Filing of return [Section 16(2)(d)]

The registered person taking the ITC must have filed his return in GSTR-3B under section 39. Thus, a taxpayer should file GSTR-3B to avail ITC on eligible inward supplies.

(iii) Goods received in lots: ITC available only on receipt of last lot [First proviso to section 16(2)]

In case the goods covered under an invoice are not received in a single consignment but are received in lots / instalments, ITC can be taken only upon receipt of the last lot / instalment.



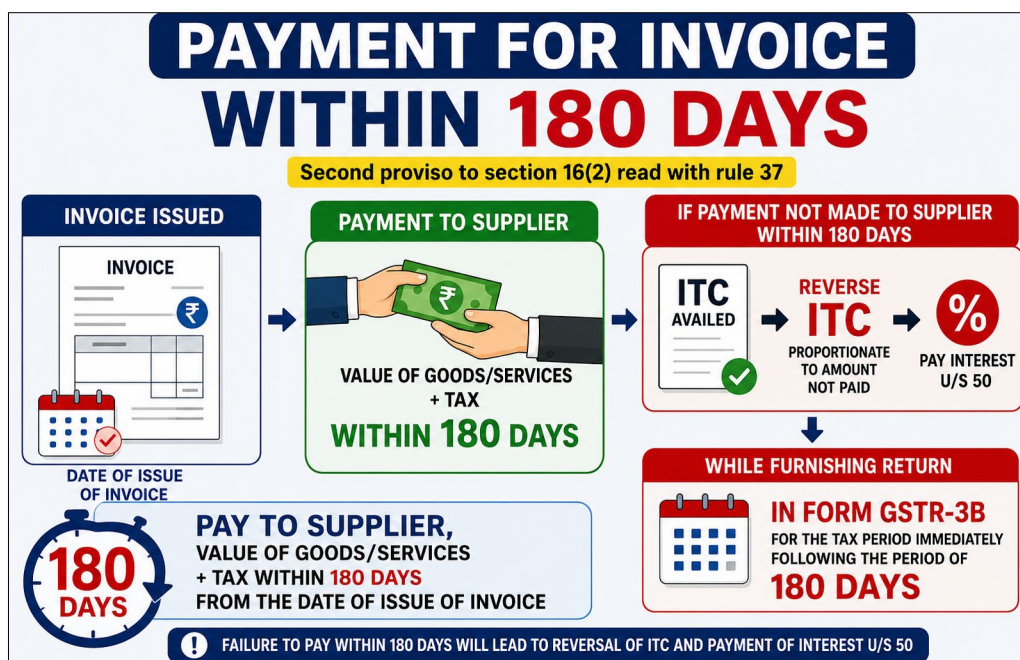
(4) XYZ enters into a contract with ABC for supply of 10 MT of a chemical for ₹ 1,18,000 (inclusive of GST of ₹18,000) in the month of August. The chemical is to be delivered in lots over a period of three months. ABC raises the invoice for the entire amount in August and XYZ also makes the payment in the same month but the supply is completed in November. Though XYZ paid the full tax as early as August, it can take the ITC of the same only on receipt of the last lot of the chemical in the month of November.

(iv) Payment for the invoice to be made within 180 days [Second proviso to section 16(2) read with rule 37]

The registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice [Second proviso to section 16(2)].

However, where a registered person, who has availed of ITC on any inward supply fails to pay to the supplier thereof, the amount towards the value of such supply, **whether wholly or partly**, along with the tax payable thereon,

within 180 days from the date of issue of invoice by supplier, **shall pay or reverse an amount equal to the ITC availed in respect of such supply, proportionate to the amount not paid to the supplier, along with interest payable thereon under section 50, while furnishing the return in Form GSTR-3B for the tax period** immediately following the period of 180 days from the date of the issue of the invoice.



Exceptions

This condition of payment of value of supply plus tax within 180 days does not apply in the following situations:

- Supplies on which tax is payable under reverse charge
- Deemed supplies without consideration – Schedule I
- Additions made to the value of supplies on account of supplier's liability, in relation to such supplies, being incurred by the recipient of the supply as per section 15(2)(b).

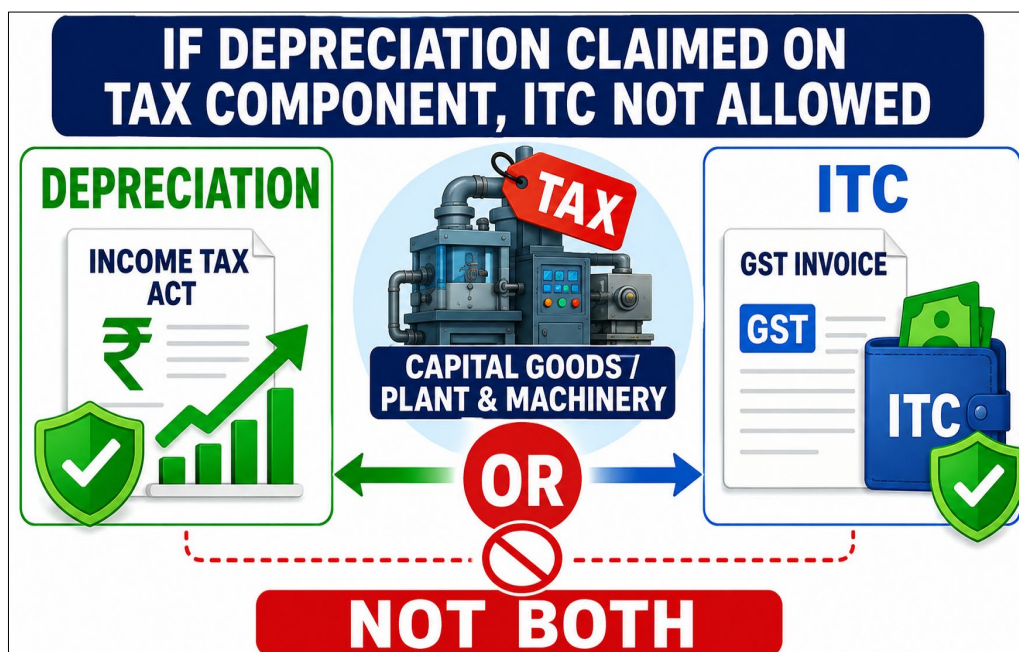
Under situations given in points (b) & (c), the value of supply is deemed to have been paid.



(5) Due to a quality dispute, PZP Ltd withheld payment on a machine supplied by a vendor till it could be rectified. More than 180 days went by in this dispute. The credit taken by PZP on the invoice needs to be paid / reversed along with interest in GSTR-3B furnished for the month after completion of 180 days. Only after the vendor rectified the machine and PZP released the payment, could PZP take the credit again.

(v) If depreciation claimed on tax component, ITC not allowed [Section 16(3)]

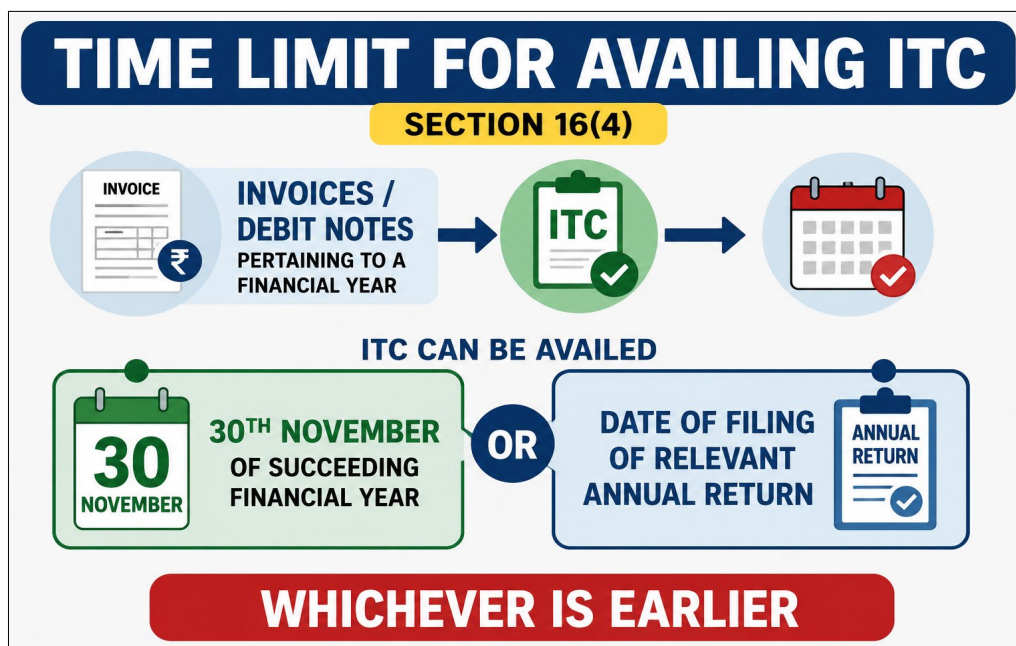
If the person taking the ITC on capital goods and plant and machinery has claimed depreciation on the tax component of the cost of the said items under the Income-tax Act 1961, the ITC on the said tax component shall not be allowed. Thus, in respect of the tax paid on such items, dual benefit cannot be claimed under Income-tax Act, 1961 and GST law simultaneously. In other words, either depreciation on the tax component can be claimed under Income Tax Act or ITC of such tax paid can be availed under GST law.



(vi) Time limit for availing ITC: 30th November of succeeding financial year or date of filing of relevant annual return, whichever is earlier [Section 16(4)]

ITC on invoices pertaining to a financial year or debit notes issued in a financial year can be availed any time till **30th November** of the succeeding **financial year** or the date of filing of the relevant annual return, whichever is earlier.

Here, in case of debit notes, the date of issuance of debit note and not the date of underlying invoice is relevant to determine the relevant financial year¹¹.



Clarification on time limit under section 16(4) in respect of RCM supplies received from unregistered persons¹²

It is clarified that in cases of supplies received from unregistered suppliers, where tax has to be paid by the recipient under reverse charge mechanism (RCM) and where invoice is to be issued by the recipient of the supplies in

¹¹ Circular No. 160/16/2021 GST dated 20.09.2021

¹² Circular No. 211/5/2024 GST dated 26.06.2024

accordance with section 31(3)(f) **the relevant financial year for calculation of time limit for availment of input tax credit under the provisions of section 16(4) will be the financial year in which the invoice has been issued by the recipient under section 31(3)(f)**, subject to payment of tax on the said supply by the recipient and fulfilment of other conditions and restrictions of sections 16 and 17.

In case the recipient issues the invoice after the time of supply of the said supply and pays tax accordingly, he will be required to pay interest on such delayed payment of tax. Further, in cases of such delayed issuance of invoice by the recipient, he may also be liable to penal action under the provisions of section 122¹³.



(6) A debit note dated 07.07.2024 is issued in respect of the original invoice dated 16.03.2024. As the invoice pertains to F.Y. 2023-24, the relevant financial year for availment of ITC in respect of the said invoice in terms of section 16(4) shall be FY 2023-24. However, as the debit note has been issued in FY 2024-25, the relevant financial year for availment of ITC in respect of the said debit note shall be FY 2024-25 in terms of section 16(4).



(7) Hercules Machinery delivered a machine to XYZ, a monthly return filer under GST, in the month of January under Invoice no. 49 dated 28th January 2024 for ₹ 4,15,000 plus GST and undertook trial runs and calibration of the machine as per the requirements of XYZ. The amount chargeable for the post-delivery activities was covered in a debit note raised in the month of April 2024 for ₹ 50,000 plus GST. XYZ did not file its annual return for FY 2023-24 till November, 2024.

The time-limit to avail ITC in respect of tax paid on supply for Invoice No. 49 would be 30th November, 2024.

Since the debit note is received in the next financial year, the time limit for taking ITC available on ₹ 50,000 is 30th November 2025, [earlier of the date of filing the annual return for the preceding financial year or 30th November of the succeeding year].

Exception

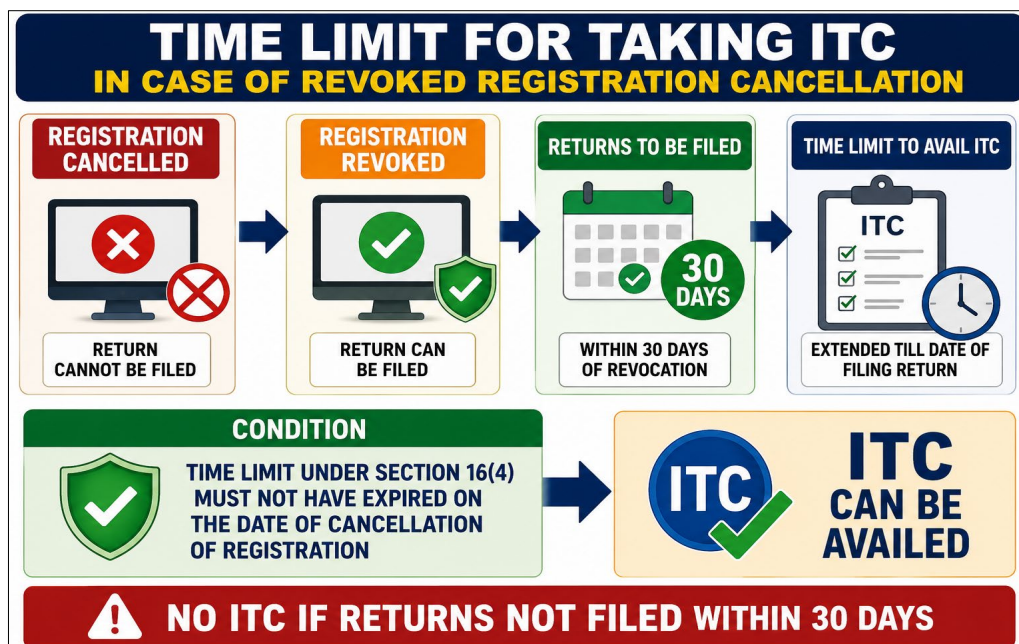
¹³ Section 122 containing the penal provisionss shall be discussed in detail at the Final level.

The time limit u/s 16(4) does not apply to claim for re-availing of credit that had been reversed earlier.

(vii) Time limit for taking ITC in case of revoked registration cancellation [Section 16(6)]

In case where registration of a taxpayer is cancelled and subsequently, it is revoked, return for the period from date of cancellation/ effective date of cancellation till the date of revocation of cancellation cannot be filed on the portal by the taxpayers till their cancellation of registration is revoked. In such cases, where the recipient has not claimed the ITC in respect of any invoice/debit note pertaining to that financial year and in the meantime, time-limit stipulated in section 16(4) lapses, he would not be able to claim ITC on the said invoice/debit note.

Consequently, relaxation has been given and the time limit to avail ITC under section 16(4) in respect of any invoice/debit note, is extended till the date of filing return in cases where the returns for the period from date of cancellation of registration/effective date of cancellation of registration till the date of revocation of cancellation of registration are filed within 30 days of revocation of cancellation of registration, subject to the condition that the time limit to avail ITC in respect of the said invoice or the debit note under section 16(4) had not already expired on the date of cancellation of registration.



(viii) Restriction of ITC in proportion of (i) taxable supplies (ii) business purposes [Sub-sections (1) and (2) of section 17]

ITC is restricted in proportion of the use of the goods and/or services (i) in the taxable and / or zero-rated supplies (ii) for business purposes. This is elaborated in heading (4) below.

(ix) ITC not allowed on certain supplies [Section 17(5)]

ITC has been blocked for specified goods and services. This is elaborated in heading (4) below.



Quiz Time!

1

Following amounts of GST are being reflected in GSTR-2B of Sukhiya Associates, registered under GST, for the month of April:

Raw material purchased	₹ 20,000
Machinery purchased for manufacturing goods	₹ 1,00,000
Raw material purchased for construction of	₹ 5,00,000
immovable property to be capitalised in the books of accounts	

Apart from this, an invoice for purchase of raw materials containing GST of ₹ 30,000 is not reflected in GSTR-2B of April as the supplier has not furnished his GSTR-1. Moreover, GST of ₹ 25,000 is paid on GTA services (taxable under Reverse Charge Mechanism) received from Sindhu Transporters in April for transport of raw materials.

Compute the amount of ITC that Sukhiya Associates is eligible to avail for the month of April.

(a) ₹ 1,45,000

(b) ₹ 6,20,000

(c) ₹ 6,45,000

(d) ₹ 6,75,000



4. APPORTIONMENT OF CREDIT & BLOCKED CREDITS [SECTION 17¹⁴]



STATUTORY PROVISIONS

Section 17	Apportionment of credit and blocked credits	
Sub-section	Clause	Apportionment of credit and blocked credits
(1)		Where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.
(2)		Where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies under this Act or under the Integrated Goods and Services Tax Act and partly for effecting exempt supplies under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.
(3)		The value of exempt supply under sub-section (2) shall be such as may be prescribed, and shall include supplies on which the recipient is liable to pay tax on reverse charge basis, transactions in securities, sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building. <i>Explanation.— For the purposes of this sub-section, the expression “value of exempt supply” shall not include the value of activities or transactions specified in Schedule III, except,—</i> (i) the value of activities or transactions specified in paragraph 5 of the said Schedule; and (ii) the value of such activities or transactions as may be prescribed in respect of clause (a) of paragraph 8 of the said Schedule;

¹⁴Provisions relating to ITC claim by banking companies and determination of ITC on inputs, input services and capital goods and reversal thereof [Rules 38, 42 and 43] will be discussed at the Final level.

(5)	Notwithstanding anything contained in sub-section (1) of section 16 and sub-section (1) of section 18, input tax credit shall not be available in respect of the following, namely:—	
(a)	motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver), except when they are used for making the following taxable supplies, namely:—	
	(A)	further supply of such motor vehicles; or
	(B)	transportation of passengers; or
	(C)	imparting training on driving such motor vehicles;
(aa)	vessels and aircraft except when they are used—	
(i)	for making the following taxable supplies, namely:—	
	(A)	further supply of such vessels or aircraft; or
	(B)	transportation of passengers; or
	(C)	imparting training on navigating such vessels; or
	(D)	imparting training on flying such aircraft;
	(ii)	for transportation of goods;
(ab)	services of general insurance, servicing, repair and maintenance in so far as they relate to motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa):	
	Provided that the input tax credit in respect of such services shall be available—	
(i)	where the motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) are used for the purposes specified therein;	
(ii)	(I)	where received by a taxable person engaged— in the manufacture of such motor vehicles, vessels or aircraft; or

		(II)	<i>in the supply of general insurance services in respect of such motor vehicles, vessels or aircraft insured by him;</i>
	(b)	<i>the following supply of goods or services or both—</i>	
		(i)	<i>food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, leasing, renting or hiring of motor vehicles, vessels or aircraft referred to in clause (a) or clause (aa) except when used for the purposes specified therein, life insurance and health insurance:</i>
			<i>Provided that the input tax credit in respect of such goods or services or both shall be available where an inward supply of such goods or services or both is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;</i>
		(ii)	<i>membership of a club, health and fitness centre; and</i>
		(iii)	<i>travel benefits extended to employees on vacation such as leave or home travel concession:</i>
			<i>Provided that the input tax credit in respect of such goods or services or both shall be available, where it is obligatory for an employer to provide the same to its employees under any law for the time being in force¹⁵.</i>
	(c)	<i>works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service;</i>	
	(d)	<i>goods or services or both received by a taxable person for construction of an immovable property (other than plant</i>	

¹⁵ Circular No. 172/04/2022 GST dated 06.07.2022 clarifies that this proviso is applicable to the whole of section 17(5)(b).

		and machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.
		Explanation 1 —For the purposes of clauses (c) and (d), the expression “construction” includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property. Explanation 2- For the purposes of clause (d), it is hereby clarified that notwithstanding anything to the contrary contained in any judgment, decree or order of any court, tribunal, or other authority, any reference to “plant or machinery” shall be construed and shall always be deemed to have been construed as a reference to “plant and machinery”.
	(e)	goods or services or both on which tax has been paid under section 10;
	(f)	goods or services or both received by a non-resident taxable person except on goods imported by him;
	(fa)	goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility referred to in section 135 of the Companies Act, 2013;
	(g)	goods or services or both used for personal consumption;
	(h)	goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and
	(i)	any tax paid in accordance with the provisions of section 74 in respect of any period up to Financial Year 2023-24.
(6)		The Government may prescribe the manner in which the credit referred to in sub-sections (1) and (2) may be attributed. Explanation. — For the purposes of this Chapter and Chapter VI, the expression “plant and machinery” means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes—

	(i)	land, building or any other civil structures;
	(ii)	telecommunication towers; and
	(iii)	pipelines laid outside the factory premises.



ANALYSIS

Section 17 requires apportionment and concomitant restriction of ITC in two situations as also blocking of ITC on specified inward supplies.

A. Apportionment of ITC [Sub-sections (1) and (2) of section 17]

- (i) The fundamental principle of credit scheme under value added tax is that tax paid on inputs, input services and capital goods can be availed as credit only when the output is taxable. Thus, when tax is not payable on output, credit cannot be availed.

Accordingly, ITC under GST can be availed and utilised for payment of tax on output supply. Consequently, ITC cannot be availed when tax is not payable on output supply, i.e. on exempt supply. The only exception to the above principle is 'zero rated supply'.

If a taxable person is making both taxable and exempt supply, he is entitled to full credit of ITC in respect of inputs, input services and capital goods exclusively used for taxable supply and no credit at all can be availed for inputs, input services and capital goods exclusively used for exempt supply.

If common inputs, input services and capital goods are used for taxable as well as exempt supply, only proportionate ITC attributable to the taxable supply is available. The common ITC is apportioned in the ratio of value of taxable supply and exempt supply. *These provisions have been discussed in detail at the Final Level and are outside the purview of Intermediate level.*

- (ii) Also, in case goods and/or services are used by the taxable person partly for the business purposes and partly for non-business purposes, he is entitled to full credit of ITC in respect of inputs, input services and capital goods exclusively used for business purposes and no credit at all can be availed for goods and/or services exclusively used for non-business purposes.

If common inputs, input services and capital goods are used partly for business and partly for non-business purposes, only proportionate ITC attributable to the business purpose is available.

Elaborate provisions have been made in sub-sections (1) and (2) of section 17 and rules 42 and 43 for calculation of such proportionate ITC. Such provisions will be discussed in detail at the Final level and are outside the purview of Intermediate level. or SEZ developer¹⁶.



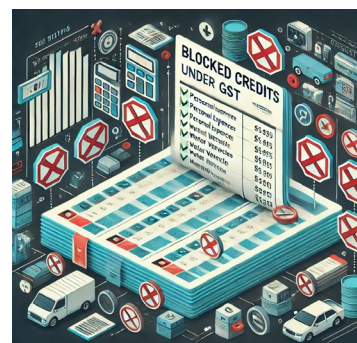
(8) A registered person is in the business of manufacturing shoes. He gave 50 pairs of shoes to his friends free of cost. ITC on inputs and input services attributable to such 50 pair of shoes, being used for non-business purposes will not be available.



(9) A registered person manufactures a product 'X' chargeable to 18% GST, a product 'Y' chargeable to NIL rate of tax and a product 'Z' which is exported without payment of tax under bond. All the three products are manufactured from common inputs and input services. ITC on inputs and input services attributable to product 'Y' being an exempt supply, will not be available.

B. Blocked credits [Section 17(5)]

ITC of tax paid on almost every inputs, input services or capital goods used for supply of taxable goods and/or services is allowed under GST except a small list of items provided u/s 17(5). Thus, ITC on such items is not allowed even though the same may qualify as inputs, input services or capital goods and are used in the course or furtherance of business.



The blocked list of credit covers mainly items of personal consumption, inputs and input services use of which results into formation of an immovable property (except plant and machinery), telecommunication towers, pipelines laid outside the factory premises, etc. and taxes paid as a result of detection of evasion of taxes, etc.

¹⁶Provisions relating to zero-rated supplies have been discussed at the Final level.

The various goods and/or services on which credit is blocked are discussed hereunder:

(i) Motor vehicles and other conveyances and related services (insurance, servicing and repair and maintenance)

MOTOR VEHICLES EXCLUDE		
		
VEHICLE RUNNING UPON FIXED RAILS	SPECIAL PURPOSE VEHICLES FOR USE IN A FACTORY OR ANY ENCLOSED PREMISES	VEHICLE WITH LESS THAN 4 WHEELS FITTED WITH ENGINE CAPACITY OF UPTO 25cc
 THUS, RAILWAYS, TWO/THREE WHEELERS WITH ENGINE CAPACITY OF UPTO 25cc, BICYCLE ETC. DO NOT FALL IN THE DEFINITION OF MOTOR VEHICLE.		
INELIGIBLE MOTOR VEHICLE		
MOTOR VEHICLES FOR TRANSPORTATION OF PERSONS WITH SEATING CAPACITY ≤13 PERSONS (INCLUDING THE DRIVER) 		
ELIGIBLE MOTOR VEHICLES		
WHEN USED FOR ANY OF THE FOLLOWING ELIGIBLE PURPOSES		
	MAKING FURTHER TAXABLE SUPPLY OF SUCH MOTOR VEHICLES	
	MAKING TAXABLE SUPPLY OF TRANSPORTATION OF PASSENGERS (e.g. TRAVEL OPERATOR OFFERING TRANSPORTATION SERVICES)	
	MAKING TAXABLE SUPPLY OF IMPARTING TRAINING ON DRIVING SUCH MOTOR VEHICLES (e.g. MOTOR VEHICLE DRIVING SCHOOLS)	

Motor vehicles and conveyances have been defined in the CGST Act[See definition under the heading Relevant Definitions].

Motor vehicles exclude –

- vehicle running upon fixed rails
- special purpose vehicles for being used in a factory or any enclosed premises
- vehicle with less than 4 wheels fitted with engine capacity of upto 25cc–(Thus, railways, two/three wheelers with engine capacity of upto 25cc, bicycle etc. do not fall in the definition of motor vehicle.)

Broadly, ITC is blocked on motor vehicles, vessels and aircrafts with certain exceptions. Further, ITC is also blocked on certain services relating to motor vehicles, vessels and aircrafts namely, general insurance, servicing and repair and maintenance. The basic principle here is that the motor vehicles, aircrafts and vessels on which ITC is blocked, the ITC on services of insurance, servicing and repair and maintenance pertaining to such motor vehicles, vessels and aircrafts is also blocked. The blocked credits relating to motor vehicles, vessels, aircrafts and related services are discussed hereunder:

S. No.	Goods and/or services on which credit is blocked	Exceptions to goods and/or services mentioned in column (2) on which credit is allowed	Remarks
(1)	(2)	(3)	(4)
(i)	Motor vehicles for transportation of persons with seating capacity $\leq$ 13 persons	Ineligible motor vehicles when used for any of the following eligible purposes-	☐ ITC on ineligible motor vehicles used for any purpose other

	(including the driver) – <u>Referred to as ineligible motor vehicle in this table</u>	➤ making further taxable supply of such motor vehicles (e.g. traders of motor vehicles)* [Refer discussion on availability of ITC on demo vehicles given below this table.] ➤ making taxable supply of transportation of passengers (e.g. travel operator offering transportation services); ➤ Making taxable supply of imparting training on driving such motor vehicles (e.g. motor vehicle driving schools).	than the eligible purposes is not allowed. ☐ ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed. ☐ ITC on motor vehicles other than ineligible motor vehicles (e.g. motor vehicle used for transportation of goods, dumpers, tippers etc.) used for any purpose is allowed.
(ii)	Vessels and aircrafts	Vessels and aircraft when used for any of the following eligible purposes- ➤ making further taxable supply of	ITC on vessels and aircrafts used for any purpose other than the eligible purposes is not allowed.

		such vessels or aircraft; ➤ making taxable supply of transportation of passengers; ➤ making taxable supply of imparting training on navigating such vessels; ➤ making taxable supply of imparting training on flying such aircrafts; ➤ transportation of goods.	
(iii)	General insurance, servicing, repair and maintenance relating to: ➤ Ineligible motor vehicles ➤ Vessels ➤ Aircraft	☐ Such services relating to ineligible motor vehicles, vessels or aircraft when used for eligible purposes ☐ Such services when received by- ○ Manufacturer of ineligible motor vehicles, vessels or aircraft; or	☐ ITC is not allowed on services of general insurance, servicing, repair and maintenance relating to motor vehicles, vessels or aircraft, ITC on which is not allowed. ☐ ITC is allowed on services of general

		○ Supplier of general insurance services in respect of ineligible motor vehicles, vessels or aircraft insured by him	insurance, servicing, repair and maintenance relating to motor vehicles, vessels or aircraft, ITC on which is allowed.
(iv)	Leasing, renting or hiring of motor vehicles, vessels or aircraft on which ITC is not allowed	□ Such services when used for making an outward taxable supply of the same category of services or as an element of a taxable composite or mixed supply □ Such services when provided by an employer to its employees under a statutory obligation	□ ITC on leasing, renting or hiring of motor vehicles, vessels or aircraft on which ITC is allowed, is also allowed**. □ ITC on such services is allowed in the case of sub-contracting, i.e. when such services are used by the taxpayer who is in the same line of business.



****The term "leasing" referred in above table refers to leasing of motor vehicles, vessels and aircrafts only and not to leasing of any other items.**

Accordingly, availment of ITC is not barred in case of leasing, other than leasing of motor vehicles, vessels and aircrafts¹⁷.

Clarification on availability of input tax credit in respect of demo vehicles which are motor vehicles for transportation of passengers having approved seating capacity of not more than 13 persons (including the driver), in terms of clause(a) of section 17(5)¹⁸

As demo vehicles are used by authorized dealers to provide trial run and to demonstrate features of the vehicle to potential buyers, it helps the potential buyers to make a decision to purchase a particular kind of motor vehicle. Therefore, as demo vehicles promote sale of similar type of motor vehicles, they can be considered to be used by the dealer for making 'further supply of such motor vehicles'. Accordingly, input tax credit in respect of demo vehicles is not blocked under clause (a) of section 17(5) of CGST Act, as it is excluded from such blockage in terms of sub-clause (A) of the said clause.

INPUT TAX CREDIT AVAILABLE ON DEMO VEHICLES



¹⁷ Circular No. 172/04/2022 GST dated 06.07.2022

¹⁸ Circular No. 231/25/2024 GST dated 10.09.2024



(10) ITC on cars purchased by a manufacturing company for official use of its employees is blocked.

(11) ITC on cars purchased by a car dealer for sale to customers is allowed.

(12) ITC on cars purchased by a company engaged in renting out cars for transportation of passengers is allowed.

(13) ITC on cars purchased by a car driving school for imparting training on driving is allowed.

(14) ITC on buses (seating capacity for 24 persons) purchased by a company for transportation of its employees from their residence to office and back, is allowed.

(15) ITC on trucks purchased by a company for transportation of its finished goods is allowed.

(16) ITC on aircraft purchased by a manufacturing company for official use of its CEO is blocked.

(17) ITC on aircraft purchased by an Aviation School providing training on flying aircrafts, is allowed.

(18) ITC on general insurance taken on a car used by employees of a manufacturing company for official purposes is blocked.

(19) ITC on maintenance & repair services availed by a company for a truck used for transporting its finished goods, is allowed.

(20) ITC on general insurance services taken on cars manufactured by a car manufacturing company is allowed.

(21) A business jet purchased for the official travel of the company's directors is blocked.

(ii) Food & beverages, outdoor catering, health services and other services

S. No.	Goods and/or services on which credit is blocked	Exceptions to goods and/or services mentioned in column (2) on which credit is allowed	Remarks
(1)	(2)	(3)	(4)
(i)	➤ Food and beverages ➤ Outdoor catering ➤ Beauty treatment ➤ Health services ➤ Cosmetic and plastic surgery ➤ Life insurance and health insurance	☐ Such goods and/or services when used by a registered person for making an outward taxable supply of the same category of goods and/or services or as an element of a taxable composite or mixed supply ☐ Such goods and/or services when provided by an employer to its employees under a statutory obligation	☐ ITC on such goods and/or services is allowed in the case of sub-contracting, i.e. when such goods and/or services are used by the taxpayer who is in the same line of business, e.g. outdoor catering service availed by another outdoor caterer. ☐ When such goods and/or services are provided by the employer to its

			employees without any statutory obligation, ITC thereon is blocked.
(ii)	Membership of a club, health and fitness centre	Such services when provided by an employer to its employees under a statutory obligation	When such goods and/or services are provided by the employer to its employees without any statutory obligation, ITC thereon is blocked.
(iii)	Travel benefits extended to employees on vacation such as leave or home travel concession		

S. No.	GOODS / SERVICES ON WHICH CREDIT IS BLOCKED	EXCEPTIONS - ITC ALLOWED	REMARKS
(i)	 - FOOD & BEVERAGES - OUTDOOR CATERING - BEAUTY TREATMENT - HEALTH SERVICES - COSMETIC & PLASTIC SURGERY - LIFE INSURANCE & HEALTH INSURANCE	 - USED FOR MAKING OUTWARD TAXABLE SUPPLY OF SAME CATEGORY OR AS ELEMENT OF TAXABLE COMPOSITE / MIXED SUPPLY  →  - PROVIDED BY EMPLOYER TO EMPLOYEES UNDER STATUTORY OBLIGATION 	 - ALLOWED IN CASE OF SUB-CONTRACTING (SAME LINE OF BUSINESS)  →  - IF PROVIDED BY EMPLOYER TO EMPLOYEES WITHOUT ANY STATUTORY OBLIGATION, ITC IS BLOCKED. 
(ii)	 MEMBERSHIP OF A CLUB, HEALTH & FITNESS CENTRE	 PROVIDED BY EMPLOYER TO EMPLOYEES UNDER STATUTORY OBLIGATION 	IF PROVIDED BY EMPLOYER TO EMPLOYEES WITHOUT ANY STATUTORY OBLIGATION, ITC IS BLOCKED. 
(iii)	 TRAVEL BENEFITS EXTENDED TO EMPLOYEES ON VACATION SUCH AS LEAVE OR HOME TRAVEL CONCESSION		



(22) A manufacturing company purchases food items for being served to its customers, free of cost on its 10th year of incorporation. ITC on such goods is blocked.

(23) AB & Co., a caterer of Amritsar, has been awarded a contract for catering in a marriage to be held at Ludhiana.

The firm has given the contract for supply of snacks, to be served in the marriage, to CD & Sons, a local caterer of Ludhiana. ITC on such outdoor catering services availed by AB & Co., is allowed.

(24) ITC on outdoor catering services availed by a garment exporter for a marketing event organised for its prospective customers, is blocked.

(25) Outdoor catering service is availed by a company to run a free canteen in its factory. The Factories Act, 1948 requires the company to set up a canteen in its factory. ITC on such outdoor catering is allowed.

(26) The Managing Director of a company has taken membership of a club, the fees for which is paid by the company. ITC on such service is blocked.

(27) A company avails services of a travel agency for organizing a free vacation for its top performing employees. ITC on such services is blocked.

(iii) Works contract services for construction of immovable property [Clause (c) of section 17(5)]

One major input service, ITC on which is blocked is input service relating to construction activity like construction of office building, factory building etc. (except in case of persons like builders, developers and contractors who are undertaking construction for others). However, ITC is available for routine construction related services like repairs, maintenance, renovation etc. of office and factory building. Thus, broadly, ITC of construction services is not available when the expenses are capitalised in the books of account. Here, it needs to be noted that capitalisation of an expense does not depend on whether the taxpayer intends to avail ITC, but on the basis of Accounting Standards and GAAP.

Works contract has been defined in the CGST Act [See definition under the heading *Relevant Definitions*]. Essentially, works contract is a composite supply involving both goods and services. Under the erstwhile laws, definition of works contract included works in relation to both movable and immovable properties. However, under GST law, the ambit of works contract has been **confined only to immovable property**.

Meaning of immovable property

Immovable property has not been defined under the GST law. Therefore, we will have to look for the definition of immovable property in other laws. Section 3(26) of the General Clauses Act, 1897, defines the term immovable property to include land, benefits to arise out of land, and things attached to the earth, or permanently fastened to anything attached to the earth.

The term "attached to the earth" is defined in section 3 of the Transfer of Property Act, 1882 to mean:

- (a) rooted in the earth, as in the case of trees and shrubs; [However, the term "immovable property" under the Transfer of Property Act does not cover standing timber, growing crops or grass.]*
- (b) embedded in the earth, as in the case of walls or buildings.*
- (c) attached to what is so embedded for the permanent beneficial enjoyment of that to which it is attached.*

Under GST law, a composite supply of works contract is treated as supply of services in terms of para 6(a) of Schedule II to the CGST Act.

ITC on works contract services for construction of an immovable property is blocked **EXCEPT WHEN**

- It is an input service for further supply of works contract service (sub-contracting);

[ITC on works contract services can be availed only by that taxpayer who is in the same line of business, i.e. only a works contractor can avail ITC on works contract services received by him.]

- Immovable property is plant and machinery
[Plant and machinery affixed permanently to the earth constitutes an immovable property. However, ITC on works contract services used for construction of such plant and machinery is allowed as an exception.]

Meaning of construction

“Construction” includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalization, to the said immovable property.

Thus, if re-construction, renovation, additions or alterations or repairs are not capitalized, it would not tantamount to construction under GST law. Consequently, ITC on works contract services availed for such construction, which is not capitalized, whether for any immovable property or for any plant and machinery, would be allowed to all the recipients irrespective of their line of business.

Meaning of plant and machinery

“Plant and machinery” means apparatus, equipment, and machinery fixed to earth by foundation or structural supports that are used for making outward supply of goods and/or services **and includes such foundation or structural support**

but excludes

land, building or other civil structures, telecommunication towers, and pipelines laid outside the factory premises.

Thus, ITC on works contract services availed for construction of eligible plant and machinery is allowed to the recipient irrespective of the line of business of such recipient and irrespective of whether expense is capitalized or not by the recipient.

For instance, ITC on works contract services for construction of machinery fixed to earth by a foundation, would be allowed. However, ITC on works contract services for construction of telecommunication tower(s), would be blocked.

WORKS CONTRACT SERVICES FOR CONSTRUCTION OF IMMOVABLE PROPERTY [CLAUSE (C) OF SECTION 17(5)]

ITC BLOCKED

**CONSTRUCTION OF
IMMOVABLE PROPERTY**
(e.g. Office Building, Factory Building)



**EXPENSES CAPITALISED
IN BOOKS OF ACCOUNT**

ITC AVAILABLE

**ROUTINE CONSTRUCTION
RELATED SERVICES**
(e.g. Repairs, Maintenance, Renovation)



**EXPENSES REVENUE
IN NATURE**



(28) ITC on works contracts services availed by a software company for construction of its office, is blocked.

(29) CD & Co., a works contractor of Noida, has been awarded a contract for construction of a commercial complex in Lucknow. The firm avails services of EF & Co., a local works contractor of Lucknow, for the construction of complex. ITC on such works contract services availed by CD & Co., is allowed.

(30) ITC on works contract services availed by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.

(31) ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is blocked.

(32) A consulting firm has availed services of a works contractor for repair of its office building. The company has booked such expenditure in its profit and loss account. ITC on such services is allowed.

(33) A telecommunication company has availed services of a works contractor for repair of its office building. The company has capitalized such expenditure. ITC on such services is blocked.



ITC on works contract services for construction of immovable property is available only in the following three situations:

- (i) When the works contract service is availed by a works contractor for being used in further providing the works contract service.**
- (ii) For construction of eligible plant and machinery. In this case, ITC is allowed to all recipients irrespective of their line of business and whether expense capitalized or not.**
- (iii) When the value of works contract service is not capitalized. In this case, ITC is allowed to all recipients irrespective of their line of business.**

(iv) Self-construction of immovable property [Clause (d) of section 17(5)]

So now we know that ITC on works contract services availed by a taxpayer, other than a works contractor, for construction of immovable property (other than plant and machinery) is not available. But what happens if a taxpayer procures goods and services and constructs an immovable property, for being used in the course or furtherance of business, without availing services of a works contractor? Will ITC be allowed in such a case?

The answer is No. ITC is not allowed on goods and/or services received by a taxable person for construction of an immovable property (other than plant and machinery) **on his own account** even though such goods and/or services are used in the course or furtherance of business. Thus, ITC on goods and/or services used in the construction of an immovable property is blocked only in those cases where the taxable person constructs the immovable property for his own use even if the immovable property being constructed is used in the course or furtherance of his business.



SELF-CONSTRUCTION OF IMMOVABLE PROPERTY

CLAUSE (d) OF SECTION 17(5)



ITC NOT ALLOWED

On goods and/or services used for construction of **IMMOVABLE PROPERTY** (other than plant and machinery) on **OWN ACCOUNT**



Even if used in the course or furtherance of business, **ITC is NOT ALLOWED.**



Applies to goods and services procured and construction **done without availing works contractor.**



Terms "construction" and "plant and machinery" for works contract services apply to own construction also.

ITC ALLOWED ONLY IN FOLLOWING THREE SITUATIONS

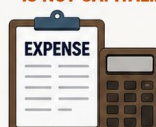
1

FOR CONSTRUCTION OF ELIGIBLE PLANT AND MACHINERY



2

WHEN THE VALUE OF GOODS AND/OR SERVICES IS NOT CAPITALIZED



3

WHEN THE CONSTRUCTION IS NOT ON OWN ACCOUNT



The discussion on terms, 'construction' and 'plant and machinery' for works contract services [Elaborated in point (iii) above] applies to construction on own account also.



ITC on goods and/or services used in construction of immovable property is available only in the following three situations:

- (i) For construction of eligible plant and machinery**
- (ii) When the value of goods and/or services is not capitalized**
- (iii) When the construction is not on own account**



(34) A company buys cement, tiles etc. and avails the services of an architect for construction of its office building. ITC on such goods and services is blocked.

(35) MN & Constructions procures cement, paint, iron rods and services of architects and interior designers for construction of a commercial complex for one of its clients. ITC on such goods and services is allowed to MN & Co.

(36) A company buys cement, tiles etc. and avails the services of an architect for renovation of its office building. The company has booked such expenditure in its profit and loss account. ITC on such goods and services is allowed.

(37) ITC on goods and/or services used by an automobile company for construction of a foundation on which a machinery (to be used in the production process) is to be mounted permanently, is allowed.

Clarification on availability of ITC on ducts and manholes used in network of optical fiber cables (OFCs) in terms of section 17(5)¹⁹

Issue: Whether the input tax credit on the ducts and manholes used in network of optical fiber cables (OFCs) for providing telecommunication services is barred in terms of clauses (c) and (d) of section 17(5), read with Explanation to section 17?

Clarification: Ducts and manholes are basic components for the optical fiber cable (OFC) network used in providing telecommunication services. The OFC network is generally laid with the use of PVC ducts/sheaths in which OFCs are housed and service/connectivity manholes, which serve as nodes of the network, and are necessary for not only laying of optical fiber cable but also their upkeep and maintenance. In view of the Explanation in section 17, it appears that ducts and manholes are covered under the definition of "plant and machinery" as they are used as part of the OFC network for



¹⁹ Circular No. 219/13/2024 GST dated 26.06.2024

making outward supply of transmission of telecommunication signals from one point to another.

Moreover, ducts and manholes used in network of optical fiber cables (OFCs) have not been specifically excluded from the definition of “plant and machinery” in the Explanation to section 17 as they are neither in nature of land, building or civil structures nor are in nature of telecommunication towers or pipelines laid outside the factory premises.

Accordingly, it is clarified that availment of input tax credit is not restricted in respect of such ducts and manhole used in network of optical fiber cables (OFCs), either under clause (c) or under clause (d) of section 17(5).

(v) Inward supplies charged to tax under composition levy [Clause (e) of section 17(5)]

A supplier registered under composition scheme cannot collect tax from its customers. Thus, such supplier issues bill of supply and not a tax invoice. A composition supplier pays a lumpsum tax at a specified rate on its quarterly turnover.

Tax paid on goods and/or services under composition scheme is not available as ITC for the recipient.

Since a composition supplier cannot collect any tax on its supplies, from the recipient of its supplies, it is obvious that no ITC can be availed in respect of such supplies by the recipients. Nevertheless, section 17(5)(e) specifically blocks the ITC on inward supplies received by a taxable person from a composition supplier.

(vi) Inward supplies received by a non-resident taxable person [Clause (f) of section 17(5)]

Non-resident taxable person has been defined in the CGST Act [See the definition under the heading *Relevant Definitions*]. Essentially, a non-resident taxable person has no fixed place of business in India but he sporadically supplies goods or services in India.

Tax paid on goods and/or services received by such non-resident taxable person, is not available as ITC. However, tax paid by him on **imported goods** is allowed as ITC.



Whereas ITC on goods imported by a non-resident taxable person is allowed, ITC on services imported by him is blocked.

(vii) Inward supplies used/intended to be used for purpose of CSR [Clause (fa) of section 17(5)]

ITC shall not be available in respect of goods or services or both received by a taxable person, which are used or intended to be used for activities relating to his obligations under corporate social responsibility (CSR) referred to in section 135 of the Companies Act, 2013.

CSR is a strategy undertaken by companies to not just grow profits, but to take an active and positive social role in the world around them. Corporate social responsibility programs aim to give structure to a company's efforts to give back to the community, participate in philanthropic causes, and provide positive social value. Businesses increasingly turn to CSR to make a difference and build a positive brand around their company.



(38) Sundaram Ltd., a company covered under section 135 of the Companies Act, 2013, purchases medical equipment worth ₹ 15 lakh (plus GST) and donates it to a Government hospital as part of its mandatory CSR obligation. Since this purchase is made for discharging its CSR obligation, ITC on the GST paid on this medical equipment is not available to Sundaram Ltd., even though it is otherwise a registered person carrying on business.

ITC NOT AVAILABLE

INWARD SUPPLIES USED/INTENDED FOR CSR ACTIVITIES

NO ITC

u/s 17(5)(fa)
of CGST Act

- EDUCATION**
- HEALTHCARE**
- ENVIRONMENT**
- COMMUNITY WELFARE**

CSR – GIVING BACK.
BUILDING A BETTER TOMORROW.

(viii) Inward supplies used for personal consumption [Clause (g) of section 17(5)]

One of the foremost conditions laid down in section 16 for availing ITC on goods and/or services is that such goods and/or services should be used **in the course or furtherance of business**. Further, where goods and/or services are used partly for the purpose of any business and partly for other purposes, section 17(1) restricts the credit to so much of the ITC as is attributable to business purposes.

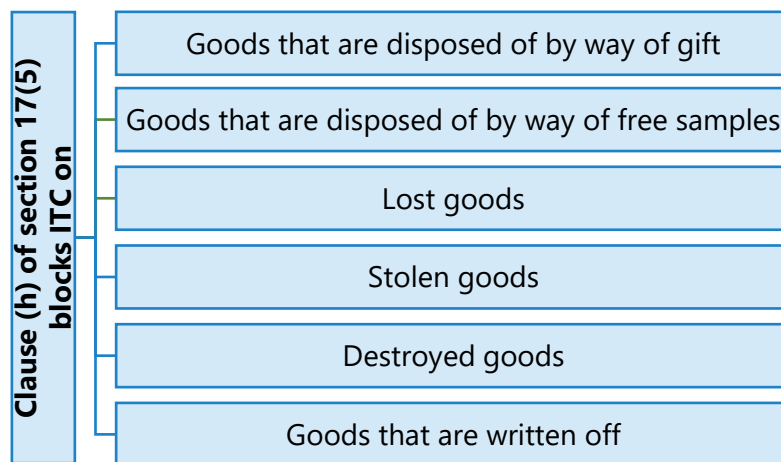
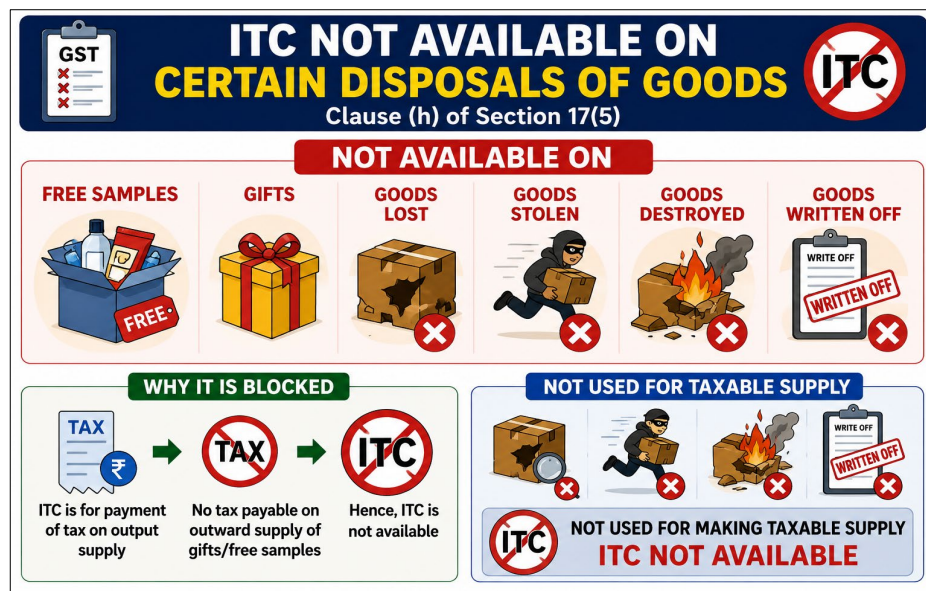
Furthermore, section 17(5)(g) also specifically blocks the ITC on goods and/or service used for personal consumption.

The term 'personal consumption' has not been defined in the GST law. Thus, it may be understood in the general sense which would mean non-business use.



(39) Mr. X owns a grocery store. He procures rice, wheat and biscuits for being sold in its store. Out of the inventory so purchased, he gives 10 kg each of rice and wheat to his wife for household use. Being used for personal consumption, ITC on 10 kg of rice and 10 kg of wheat is blocked.

(ix) Free samples, gifts, goods lost/stolen etc. [Clause (h) of section 17(5)]



ITC in respect of goods that are disposed of by way of gift or free samples is not available. Also, ITC is blocked on lost goods, stolen goods, destroyed goods and goods that are written off. This is because principally, ITC is available only for payment of tax on output supply. If no tax is payable on output supply, ITC on inputs/input services/capital goods relating to such output supply is not eligible. Hence, ITC on gifts and free samples is blocked as no tax is payable on its outward supply. In case of lost/destroyed/stolen written off goods also, ITC is not available as these goods cannot be said to have been used for making a taxable supply.

Meaning of 'gift'

The term gift has not been defined in the GST law. Therefore, we will have to look for the definition of gift in other laws. Section 122 of the Transfer of Property Act, 1882, defines gift as transfer of certain existing moveable or immovable property made voluntarily and without consideration, by one person, called the donor, to another, called the donee, and accepted by or on behalf of the donee.

In common parlance, gift is made without consideration, is voluntary in nature and is made occasionally. It cannot be demanded as a matter of right.

Meaning of 'sample'

Sample is also not defined in the GST law. The dictionary meaning of sample is "a small part or quantity intended to show what the whole is like". In commercial parlance, samples are given to prospective customers to enable them to test the quality of the item before making a decision to buy the same.

ITC in the hands of the supplier in respect of sales promotional schemes

*Circular No. 92/11/2019 GST dated 07.03.2019 read with **Circular No. 251/08/2025 GST dated 12.09.2025** has clarified the entitlement of ITC in the hands of supplier in respect of various sales promotional schemes as under [Taxability of such schemes has been discussed at relevant places in Chapter 2: Supply Under GST and Chapter 7: Value of Supply in Module 1 of the Study Material.]:*

A. Samples and free gifts

Samples which are supplied free of cost, without any consideration, do not qualify as "supply" under GST, except where the activity falls within the ambit of Schedule I of the CGST Act.

ITC shall not be available to the supplier on the inputs, input services and capital goods to the extent they are used in relation to the gifts or free samples distributed without any consideration. However, where the activity of distribution of gifts or free samples falls within the scope of "supply" on account of the provisions contained in Schedule I of the said Act, the supplier would be eligible to avail the ITC.

B. Buy one get one free offer

This is not an individual supply of free goods, but a case of two or more individual supplies where a single price is being charged for the entire supply. It can at best be treated as supplying two goods for the price of one.

Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply and the rate of tax shall be determined as per the provisions of section 8.

ITC shall be available to the supplier for the inputs, input services and capital goods used in relation to supply of goods or services or both as part of such offers.

C. Discounts including 'Buy more, save more' offers

Discounts offered by the suppliers to customers (including staggered discount under "Buy more, save more" scheme and post supply / volume discounts established before or at the time of supply) shall be excluded to determine the value of supply provided they satisfy the parameters laid down in section 15(3), including the reversal of ITC by the recipient of the supply as is attributable to the discount on the basis of document (s) issued by the supplier.

However, the supplier shall be entitled to avail the ITC for such inputs, input services and capital goods used in relation to the supply of goods or services or both on such discounts.

D. Secondary discounts

Representations have been received from the trade and industry that GST credit notes(s)²⁰ can be issued in case of post supply discounts only if the conditions laid down in section 15(3)(b)²¹ are satisfied.

²⁰ under section 34(1)

²¹ Students may note that conditions for availing post supply discount are proposed to be amended by the Finance Act, 2026. Consequently, when said amendment comes into effect, it will no longer be necessary for post supply discount to be in terms of an agreement existing at the time of supply and capable of being linked invoice-wise. Such discount will be excluded from the value of supply if the supplier issues a credit note and the recipient reverses the proportionate input tax credit. Said provisions have been discussed in detail in Chapter 7 – Value of Supply in Module 1 of this Study Material.

However, financial / commercial credit note(s) can be issued by the supplier even if the conditions mentioned in section 15(3)(b) are not satisfied. In other words, credit note(s) can be issued as a commercial transaction between the two contracting parties. Such secondary discounts (wherein conditions mentioned in section 15(3)(b) are not satisfied) shall not be excluded while determining the value of supply.

Wherever supplier of goods issues financial/ commercial credit notes, he will not be eligible to reduce his original tax liability. As the transaction value is not allowed to be reduced on account of issuance of financial/ commercial credit note, accordingly the tax charged from the recipient would also not get reduced.

Thus, it is clarified that the recipient will not be required to reverse the Input Tax Credit²² attributed to the discount provided on the basis of financial/ commercial credit notes issued by the supplier, as there is no reduction in the original transaction value of the supply and accordingly the corresponding tax liability would also not get reduced.

(x) Tax paid in fraud cases, detention, confiscation etc. [Clause (i) of section 17(5)]

Tax paid under sections 74²³, 129 and 130²⁴ is not available as ITC. These sections prescribe the provisions relating to tax paid as a result of evasion of taxes, or upon detention of goods or conveyances in transit, or towards redemption of confiscated goods/conveyances.

²² It may be noted that detailed provisions pertaining to reversal of input tax credit are outside the scope of syllabus at Intermediate Level.

²³ Section 74 stipulated provisions for determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilized by reason of fraud or any wilful-misstatement or suppression of facts pertaining to the period upto financial year 2023-24.

²⁴ Provision of sections 129 and 130 have been discussed in detail at Final level.

Quiz Time!

2

Cheeku Ltd., a registered person, is engaged in manufacturing of taxable goods. It provides following details in relation to GST paid on inward supplies procured by it during the month of January:

Raw material purchased (to be received in the month of February)	₹ 2,00,000
Capital goods purchased (Invoice for one of the machines is missing. GST paid on the same is ₹ 70,000)	₹ 4,80,000
Free samples distributed	₹ 80,000
Trucks used for transport of minerals	₹ 1,20,000

Determine the amount of ITC that can be availed by Cheeku Ltd. for the month of January. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

- | | | | |
|----------------|----------------|----------------|----------------|
| (a) ₹ 7,30,000 | (b) ₹ 5,30,000 | (c) ₹ 6,80,000 | (d) ₹ 7,60,000 |
|----------------|----------------|----------------|----------------|

Quiz Time!

3

Dheeru Ltd., a registered person, is engaged in manufacturing of toys. It provides following details in relation to GST paid on inward supplies procured by it during the month of October:

Particulars	GST (₹)
Raw material purchased	2,00,000
Construction of pipelines laid outside the factory premises	3,00,000
Insurance charges paid for trucks used for transportation of goods	80,000

Determine the amount of ITC that can be availed by Dheeru Ltd. for the month of October. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

- | | | | |
|----------------|----------------|----------------|----------------|
| (a) ₹ 5,00,000 | (b) ₹ 2,80,000 | (c) ₹ 3,80,000 | (d) ₹ 5,80,000 |
|----------------|----------------|----------------|----------------|



5. CREDIT IN SPECIAL CIRCUMSTANCES [SECTION 18]

 STATUTORY PROVISIONS		
Section 18	<i>Availability of credit in special circumstances</i>	
Sub-section	Clause	Particulars
(1)	<i>Subject to such conditions and restrictions as may be prescribed—</i>	
	(a)	<i>a person who has applied for registration under this Act within thirty days from the date on which he becomes liable to registration and has been granted such registration shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of this Act;</i>
	(b)	<i>a person who takes registration under sub-section (3) of section 25 shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration;</i>
	(c)	<i>where any registered person ceases to pay tax under section 10, he shall be entitled to take credit of input tax in respect of inputs held in stock, inputs contained in semi-finished or finished goods held in stock and on capital goods on the day immediately preceding the date from which he becomes liable to pay tax under section 9:</i>
		<i>Provided that the credit on capital goods shall be reduced by such percentage points as may be prescribed;</i>

	(d) where an exempt supply of goods or services or both by a registered person becomes a taxable supply, such person shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relating to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable: Provided that the credit on capital goods shall be reduced by such percentage points as may be prescribed.
(2)	A registered person shall not be entitled to take input tax credit under sub-section (1) in respect of any supply of goods or services or both to him after the expiry of one year from the date of issue of tax invoice relating to such supply.
(3)	Where there is a change in the constitution of a registered person on account of sale, merger, demerger, amalgamation, lease or transfer of the business with the specific provisions for transfer of liabilities, the said registered person shall be allowed to transfer the input tax credit which remains unutilised in his electronic credit ledger to such sold, merged, demerged, amalgamated, leased or transferred business in such manner as may be prescribed.
(4)	Where any registered person who has availed of input tax credit opts to pay tax under section 10 or, where the goods or services or both supplied by him become wholly exempt, he shall pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods, reduced by such percentage points as may be prescribed, on the day immediately preceding the date of exercising of such option or, as the case may be, the date of such exemption: Provided that after payment of such amount, the balance of input tax credit, if any, lying in his electronic credit ledger shall lapse.

(5)	<i>The amount of credit under sub-section (1) and the amount payable under sub-section (4) shall be calculated in such manner as may be prescribed.</i>
(6)	<i>In case of supply of capital goods or plant and machinery, on which input tax credit has been taken, the registered person shall pay an amount equal to the input tax credit taken on the said capital goods or plant and machinery reduced by such percentage points as may be prescribed or the tax on the transaction value of such capital goods or plant and machinery determined under section 15, whichever is higher:</i>
	<i>Provided that where refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the taxable person may pay tax on the transaction value of such goods determined under section 15.</i>
Chapter V: Input Tax Credit of CGST Rules	
Rule 40	Manner of claiming credit in special circumstances
(1)	<i>The input tax credit claimed in accordance with the provisions of sub-section (1) of section 18 on the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or the credit claimed on capital goods in accordance with the provisions of clauses (c) and (d) of the said sub-section, shall be subject to the following conditions, namely -</i>
	(a) <i>the input tax credit on capital goods, in terms of clauses (c) and (d) of sub-section (1) of section 18, shall be claimed after reducing the tax paid on such capital goods by five percentage points per quarter of a year or part thereof from the date of the invoice or such other documents on which the capital goods were received by the taxable person.</i>
	(b) <i>the registered person shall within a period of thirty days from the date of becoming eligible to avail the input tax credit under sub-section (1) of section 18, or within such further period as may be extended by the Commissioner by a notification in this behalf, shall make a declaration, electronically, on the common portal in FORM GST ITC-01</i>

		to the effect that he is eligible to avail the input tax credit as aforesaid:
		Provided that any extension of the time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.
	(c)	the declaration under clause (b) shall clearly specify the details relating to the inputs held in stock or inputs contained in semi-finished or finished goods held in stock, or as the case may be, capital goods—
	(i)	on the day immediately preceding the date from which he becomes liable to pay tax under the provisions of the Act, in the case of a claim under clause (a) of sub-section (1) of section 18;
	(ii)	on the day immediately preceding the date of the grant of registration, in the case of a claim under clause (b) of sub-section (1) of section 18;
	(iii)	on the day immediately preceding the date from which he becomes liable to pay tax under section 9, in the case of a claim under clause (c) of sub-section (1) of section 18;
	(iv)	on the day immediately preceding the date from which the supplies made by the registered person becomes taxable, in the case of a claim under clause (d) of sub-section (1) of section 18;
	(d)	the details furnished in the declaration under clause (b) shall be duly certified by a practicing chartered accountant or a cost accountant if the aggregate value of the claim on account of central tax, State tax, Union territory tax and integrated tax exceeds two lakh rupees;
	(e)	the input tax credit claimed in accordance with the provisions of clauses (c) and (d) of sub-section (1) of section 18 shall be verified with the corresponding details furnished by the corresponding supplier in FORM GSTR-1 and in FORM GSTR-

	1A, if any, or as the case may be, in FORM GSTR- 4 , on the common portal.
(2)	The amount of credit in the case of supply of capital goods or plant and machinery, for the purposes of sub-section (6) of section 18, shall be calculated by reducing the input tax on the said goods at the rate of five percentage points for every quarter or part thereof from the date of the issue of the invoice for such goods.
Rule 41	Transfer of credit on sale, merger, amalgamation, lease or transfer of a business
(1)	A registered person shall, in the event of sale, merger, de-merger, amalgamation, lease or transfer or change in the ownership of business for any reason, furnish the details of sale, merger, de-merger, amalgamation, lease or transfer of business, in FORM GST ITC-02, electronically on the common portal along with a request for transfer of unutilized input tax credit lying in his electronic credit ledger to the transferee: <i>Provided that in the case of demerger, the input tax credit shall be apportioned in the ratio of the value of assets of the new units as specified in the demerger scheme.</i> <i>Explanation: - For the purpose of this sub-rule, it is hereby clarified that the "value of assets" means the value of the entire assets of the business, whether or not input tax credit has been availed thereon.</i>
(2)	The transferor shall also submit a copy of a certificate issued by a practicing chartered accountant or cost accountant certifying that the sale, merger, de-merger, amalgamation, lease or transfer of business has been done with a specific provision for the transfer of liabilities.
(3)	The transferee shall, on the common portal, accept the details so furnished by the transferor and, upon such acceptance, the un-utilized credit specified in FORM GST ITC-02 shall be credited to his electronic credit ledger.
(4)	The inputs and capital goods so transferred shall be duly accounted for by the transferee in his books of account.

Rule 41A	<i>Transfer of credit on obtaining separate registration for multiple places of business within a State or Union territory</i>		
(1)	A registered person who has obtained separate registration for multiple places of business in accordance with the provisions of rule 11 and who intends to transfer, either wholly or partly, the unutilised input tax credit lying in his electronic credit ledger to any or all of the newly registered place of business, shall furnish within a period of thirty days from obtaining such separate registrations, the details in FORM GST ITC-02A electronically on the common portal, either directly or through a Facilitation Centre notified in this behalf by the Commissioner: Provided that the input tax credit shall be transferred to the newly registered entities in the ratio of the value of assets held by them at the time of registration. Explanation.- For the purposes of this sub-rule, it is hereby clarified that the 'value of assets' means the value of the entire assets of the business whether or not input tax credit has been availed thereon.		
(2)	The newly registered person (transferee) shall, on the common portal, accept the details so furnished by the registered person (transferor) and, upon such acceptance, the unutilised input tax credit specified in FORM GST ITC-02A shall be credited to his electronic credit ledger.		
Rule 44	<i>Manner of reversal of credit under special circumstances</i>		
(1)	The amount of input tax credit relating to inputs held in stock, inputs contained in semi-finished and finished goods held in stock, and capital goods held in stock shall, for the purposes of sub-section (4) of section 18 or sub-section (5) of section 29, be determined in the following manner, namely,- <table> <tr> <td>(a)</td><td>for inputs held in stock and inputs contained in semi-finished and finished goods held in stock, the input tax credit shall be calculated proportionately on the basis of the corresponding invoices on which credit had been availed by the registered taxable person on such inputs;</td></tr> </table>	(a)	for inputs held in stock and inputs contained in semi-finished and finished goods held in stock, the input tax credit shall be calculated proportionately on the basis of the corresponding invoices on which credit had been availed by the registered taxable person on such inputs;
(a)	for inputs held in stock and inputs contained in semi-finished and finished goods held in stock, the input tax credit shall be calculated proportionately on the basis of the corresponding invoices on which credit had been availed by the registered taxable person on such inputs;		

	(b)	<i>for capital goods held in stock, the input tax credit involved in the remaining useful life in months shall be computed on pro-rata basis, taking the useful life as five years.</i>
(2)		<i>The amount, as specified in sub-rule (1) shall be determined separately for input tax credit of central tax, State tax, Union territory tax and integrated tax.</i>
(3)		<i>Where the tax invoices related to the inputs held in stock are not available, the registered person shall estimate the amount under sub-rule (1) based on the prevailing market price of the goods on the effective date of the occurrence of any of the events specified in sub-section (4) of section 18 or, as the case may be, sub-section (5) of section 29.</i>
(4)		<i>The amount determined under sub-rule (1) shall form part of the output tax liability of the registered person and the details of the amount shall be furnished in FORM GST ITC-03, where such amount relates to any event specified in sub-section (4) of section 18 and in FORM GSTR-10, where such amount relates to the cancellation of registration.</i>
(5)		<i>The details furnished in accordance with sub-rule (3) shall be duly certified by a practicing chartered accountant or cost accountant.</i>
(6)		<i>The amount of input tax credit for the purposes of sub-section (6) of section 18 relating to capital goods shall be determined in the same manner as specified in clause (b) of sub-rule (1) and the amount shall be determined separately for input tax credit of central tax, State tax, Union territory tax and integrated tax:</i> <i>Provided that where the amount so determined is more than the tax determined on the transaction value of the capital goods, the amount determined shall form part of the output tax liability and the same shall be furnished in FORM GSTR-1.</i>



ANALYSIS

Section 18 provides for

- (1) entitlement of ITC on inputs in stock and inputs contained in finished goods or work-in-progress, and in last two cases in respect of capital goods as well (i) at the time of registration/voluntary registration, (ii) on coming into regular tax-paying status by exiting composition levy, (iii) on coming into tax-paying status on account of exempt supply becoming taxable supply for a registered person
- (2) reversal of ITC on inputs in stock and inputs contained in finished goods or work-in-progress and capital goods (i) at the time of exit from regular tax-paying status by opting for composition levy, (ii) at the time of exit from tax-paying status on account of taxable supply becoming exempt supply for a registered person
- (3) amount payable on supply of capital goods or plant and machinery on which ITC has been taken
- (4) transfer of ITC on account of change in constitution of the registered person
- (i) **Entitlement of ITC at the time of registration/voluntary registration or switching to regular tax paying status or coming into tax-paying status [Sub-sections (1) and (2) of section 18 read with rule 40]**

The credit on inputs held in stock and contained in semi-finished goods or finished goods held in stock and capital goods at the time of registration/voluntary registration or coming into regular tax/tax-paying status is available in the following manner:

S. No.	Persons eligible to take credit	Goods entitled to ITC		Restriction/ conditions
		Inputs held in stock/ capital goods	As on	
(1)	(2)	(3)	(4)	(5)
1.	Person who has applied for registration	Inputs held in stock and inputs contained in	The day immediately preceding the date from	→ ITC to be availed within 1 year from the date of the

	within 30 days from the date on which he becomes liable to registration and has been granted such registration	semi-finished or finished goods held in stock	which he becomes liable to pay tax	issue of the tax invoice by the supplier.
2.	Person who is not required to register, but obtains voluntary registration	Inputs held in stock and inputs contained in semi-finished or finished goods held in stock	The day immediately preceding the date of registration	
3.	Registered person who ceases to pay composition tax and switches to regular scheme	Inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods	The day immediately preceding the date from which he becomes liable to pay tax under regular scheme	→ ITC on capital goods will be reduced by 5% per quarter of a year or part of the year from the date of invoice. → ITC claimed shall be verified with the corresponding details furnished by the corresponding supplier.
4.	Registered person whose exempt supplies become taxable supplies	Inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable	The day immediately preceding the date from which such supply becomes taxable	

		to such exempt supply and capital goods exclusively used for such exempt supply		→ ITC to be availed within 1 year from the date of the issue of the tax invoice by the supplier.
--	--	--	--	--

In all the above cases, the registered person has to make an electronic declaration in the prescribed form²⁵ on the common portal, clearly specifying the details relating to the inputs held in stock, inputs contained in semi-finished or finished goods held in stock and capital goods on the days mentioned in column (4) of table above. The declaration is to be filed within 30 days (extendable by Commissioner/Commissioner of State GST/Commissioner of UTGST) from the date when the registered person becomes eligible to avail ITC. If the claim of ITC pertaining to CGST, SGST/UTGST, IGST put together exceeds ₹ 2,00,000, the declaration needs to be duly certified by a practicing Chartered Accountant/Cost Accountant.



(40) 'Z' becomes liable to pay tax on 1st August and has obtained registration on 15th August w.e.f. 1st August. 'Z' is eligible for ITC on inputs held in stock and as part of semi-finished goods or finished goods held in stock as on 31st July. 'Z' cannot take ITC on capital goods.

(41) 'A' applies for voluntary registration on 5th June and obtains registration w.e.f. 22nd June. 'A' is eligible for ITC on inputs held in stock and as part of semi-finished goods or finished goods held in stock as on 21st June. 'A' cannot take ITC on capital goods.

(42) 'B', a registered taxable person, was paying tax under composition scheme upto 30th July. However, w.e.f. 31st July, 'B' becomes liable to pay tax under regular scheme. 'B' will be eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods as on 30th July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of the invoice.

²⁵ Declaration is to be filed in Form GST ITC-01 where a registered person ceases to pay composition tax and switches to regular scheme or his exempt supplies become taxable supplies.

(ii) Reversal of ITC on switching to composition levy or exit from tax-paying status [Section 18(4) read with rule 44]

- ☐ Section 18(4) requires reversal of ITC when a registered person who has availed ITC switches to composition levy or when his supplies get wholly exempted from tax.
- ☐ ITC on **inputs** should be reversed proportionately on the basis of corresponding invoices on which credit had been availed on such inputs. If invoices are not available, ITC can be reversed on the basis of the prevailing market price of such goods on the date of switch over/exemption. The details furnished on the basis of prevailing market value need to be duly certified by a practicing Chartered Accountant/ Cost Accountant.
- ☐ ITC involved in the remaining useful life (in months) of the **capital goods** should be reversed on *pro-rata* basis, taking the useful life as 5 years.



(43) Capital goods have been in use for 4 years, 6 month and 15 days. The useful remaining life in months = 5 months ignoring a part of the month.

ITC taken on such capital goods = C

ITC attributable to remaining useful life that should be reversed
= C x 5/60

- ☐ The registered person has to debit the electronic credit or cash ledger by the reversal amount in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods on the day immediately preceding the date of switch over/ date of exemption.
- ☐ Balance of ITC, if any, lying in the electronic credit ledger lapses.
- ☐ Cancellation of registration also requires reversal of ITC on inputs held in stock/ contained in semi-finished goods or finished goods held in stock, capital goods or plant and machinery on the day immediately preceding the cancellation date. The amount to be reversed on inputs and capital goods is computed in the manner as applicable for sub-sections (4) of section 18 (discussed above).

- ❑ ITC to be reversed on inputs and capital goods is calculated separately for ITC of CGST, SGST/UTGST and IGST.
- ❑ The reversal amount is added to the output tax liability of the registered person.

(iii) Amount payable on supply of capital goods or plant and machinery on which ITC has been taken [Section 18(6) read with rule 40(2) & rule 44(6)]

- ❑ If capital goods or plant and machinery on which ITC has been taken are supplied outward by the registered person, he must pay an amount that is the **higher of the following**:
 - ✓ ITC taken on such goods reduced by 5% per quarter of a year or part thereof from the date of issue of invoice for such goods (i.e., ITC pertaining to remaining useful life of the capital goods), or
 - ✓ tax on transaction value of such capital goods/plant & machinery
- ❑ ITC pertaining to remaining useful life of the capital goods should be computed separately for ITC of CGST, SGST/UTGST and IGST.
- ❑ Where the amount of ITC remaining so determined exceeds the tax payable on the transaction value of the capital goods, such amount need to be paid and thus, should be added to the output tax liability.
- ❑ If refractory bricks, moulds and dies, jigs and fixtures are supplied as scrap, the taxable person may pay tax on the transaction value.

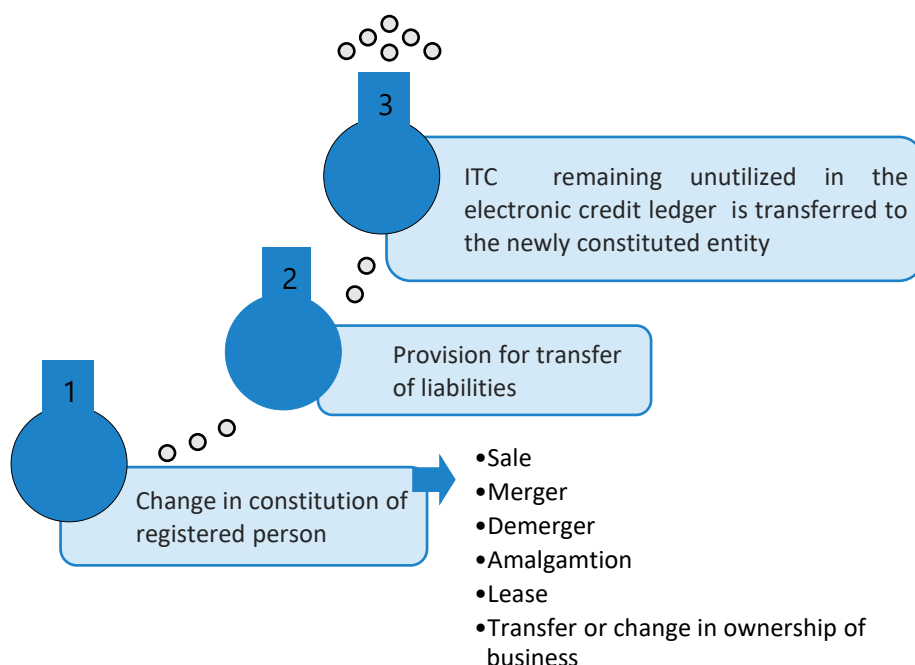
***Note:** Under rule 44(6), ITC involved in the remaining useful life (in months) of the capital goods is reversed on *pro rata* basis, taking the useful life as 5 years.

(iv) Transfer of ITC on account of change in constitution of registered person [Section 18(3) read with rule 41]

In case of sale, merger, demerger, amalgamation, lease, transfer or change in ownership of business etc., the ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to the new entity, provided there is a specific provision for transfer of liabilities in such change of constitution. *Circular No. 96/15/2019 GST dated 28.03.2019* has clarified

that transfer or change in the ownership of business includes transfer or change in the ownership due to death of the sole proprietor.

The above provisions have been explained with the help of the diagram below:



In the case of demerger, ITC will be apportioned in the ratio of the value of assets of the new units as specified in the demerger scheme. Here, **“value of assets”** means the value of the entire assets of the business irrespective of whether ITC has been availed thereon or not.

The registered person should furnish the details of change in constitution on the common portal and submit a certificate from practicing Chartered Account/Cost Accountant certifying that the change in constitution has been done with a specific provision for transfer of liabilities.



Upon acceptance of such details by the transferee on the common portal, the unutilized ITC gets credited to his electronic credit ledger. The transferee should duly record the inputs and capital goods so transferred in his books of account.



(44) Anand Enterprises, a sole proprietorship registered under GST in Pune, sells its entire business (including stock, machinery and liabilities) to Mehta Traders Pvt. Ltd. under a business transfer agreement that specifically provides for transfer of liabilities. At the time of sale, Anand Enterprises has ₹ 4 lakh of unutilized ITC in its electronic credit ledger. Since the sale agreement contains a specific provision for transfer of liabilities, this unutilized ITC of ₹ 4 lakh can be transferred to Mehta Traders Pvt. Ltd.

(45) Vikram Industries Ltd. demerges into two units, Unit A (retained by Vikram Industries Ltd.) and Unit B (transferred to a newly formed company, Vikram Textiles Ltd.), under a scheme of demerger sanctioned by the NCLT. As per the scheme, the value of assets allocated is ₹ 60 crore to Unit A and ₹ 40 crore to Unit B (total ₹ 100 crore) [including assets on which ITC had not been availed]. If the unutilized ITC in Vikram Industries Ltd.'s electronic credit ledger at the time of demerger is ₹ 10 lakh, it will be apportioned in the ratio of 60:40, i.e., ₹ 6 lakh retained by Vikram Industries Ltd. (Unit A) and ₹ 4 lakh transferred to Vikram Textiles Ltd. (Unit B).

(46) Om Steels Ltd. and Ganga Alloys Ltd. amalgamate to form a new entity, Om-Ganga Steels Ltd., under a court/NCLT-approved scheme of amalgamation that specifically provides for transfer of liabilities. Om Steels Ltd. has unutilized ITC of ₹ 8 lakh and Ganga Alloys Ltd. has ₹ 5 lakh. Upon amalgamation taking effect, this ITC totalling ₹ 13 lakh is transferred to Om-Ganga Steels Ltd.'s electronic credit ledger.

(47) Mr. Kishore transfers his proprietorship business (a hardware trading firm in Nagpur) to his son, Mr. Rohan, along with all business assets and liabilities, executed through a business transfer deed that specifically provides for transfer of liabilities. Mr. Kishore's unutilized ITC of ₹ 1.8 lakh in his electronic credit ledger can be transferred to Mr. Rohan's electronic credit ledger upon Mr. Rohan (transferee) accepting the details on the common portal.

(48) Mr. Suresh, a sole proprietor running a furniture manufacturing business in Jaipur, passes away. His legal heir, his son Mr. Aditya, continues the same business after obtaining fresh registration and inheriting the business assets and liabilities. As clarified by *Circular No. 96/15/2019-GST dated 28.03.2019*, this constitutes a "change in ownership of business" for the purposes of

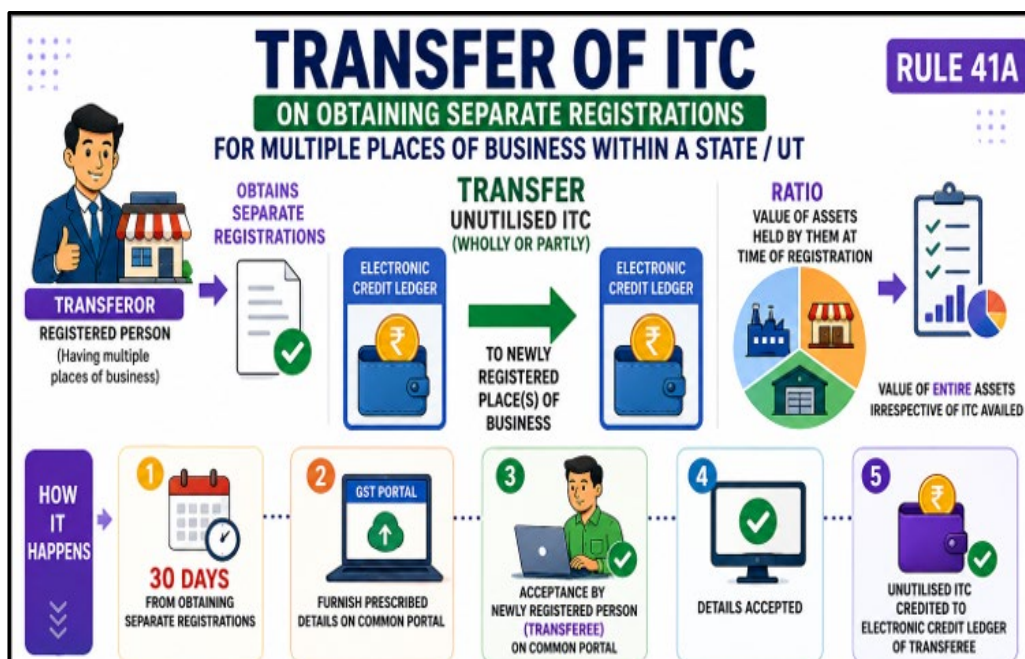
section 18(3). The unutilized ITC of ₹ 3 lakh lying in Mr. Suresh's electronic credit ledger can accordingly be transferred to Mr. Aditya's electronic credit ledger, subject to fulfilment of the prescribed procedure.

(v) Transfer of ITC on obtaining separate registrations for multiple places of business within a State/ Union Territory [Rule 41A]

Section 25 enables a taxpayer to obtain separate registrations for multiple places of business within a State/ Union territory [Provisions of section 25 are discussed under Chapter 9: Registration in this Module of the Study Material]. The registered person (transferor), having separate registrations for multiple places of business within a State/Union Territory, can transfer the unutilised ITC (wholly or partly) lying in his electronic credit ledger to any or all of the newly registered place(s) of business in the ratio of the value of assets held by them at the time of registration.

Here, the '**value of assets**' means the value of the entire assets of the business irrespective of whether ITC has been availed thereon or not.

The registered person should furnish the prescribed details on the common portal within a period of 30 days from obtaining such separate registrations. Upon acceptance of such details by the newly registered person (transferee) on the common portal, the unutilised ITC gets credited to his electronic credit ledger.





(49) Mahesh Enterprises, having a single GST registration in Karnataka covering its Bengaluru head office and a separate warehouse in Mysuru, Karnataka decides to obtain a separate registration for the Mysuru warehouse as an additional place of business within the same State (Karnataka), under section 25. At the time of obtaining this separate registration, Mahesh Enterprises' original (Bengaluru) registration has an unutilized ITC balance of ₹ 12 lakh in its electronic credit ledger. The value of assets held by the Bengaluru unit is ₹ 80 lakh and by the Mysuru unit is ₹ 20 lakh (total ₹ 1 crore). This value of assets is considered irrespective of whether ITC has actually been availed on them or not.

ITC to be transferred to Mysuru (new registration)

$$= ₹ 12 \text{ lakh} \times (\text{₹ } 20 \text{ lakh} / \text{₹ } 1 \text{ crore}) = ₹ 2.4 \text{ lakh}$$

ITC retained by Bengaluru = ₹ 12 lakh × (₹ 80 lakh / ₹ 1 crore)

$$= ₹ 9.6 \text{ lakh}$$

Quiz Time!



4

Vrinda Enterprises is a trader of electronic items in Haryana. It opted for the composition scheme on 1st April of current financial year.

However, with effect from 1st July, it switched to regular scheme of paying the tax since its aggregate turnover crossed ₹ 150 lakh. The stock of goods (purchased during last 6 months) and machinery (purchased on 3rd May) on 30th June is ₹ 16,00,000 and ₹ 6,20,000 respectively. Compute the amount of ITC that can be availed by Vrinda Enterprises assuming the applicable rate of GST to be 18%.

(a)	Nil	(b)	₹ 3,94,020	(c)	₹ 3,96,000	(d)	₹ 2,88,000
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6. HOW ITC IS UTILISED



STATUTORY PROVISIONS

Section 49	<i>Payment of tax, interest, penalty and other amounts (Relevant extract)</i>	
Sub-section	Clause	Particulars
(5)		<i>The amount of input tax credit available in the electronic credit ledger of the registered person on account of—</i>
	(a)	<i>integrated tax shall first be utilised towards payment of integrated tax and the amount remaining, if any, may be utilised towards the payment of central tax and State tax, or as the case may be, Union territory tax, in that order;</i>
	(b)	<i>the central tax shall first be utilised towards payment of central tax and the amount remaining, if any, may be utilised towards the payment of integrated tax;</i>
	(c)	<i>the State tax shall first be utilised towards payment of State tax and the amount remaining, if any, may be utilised towards payment of integrated tax;</i>
		<i>Provided that the input tax credit on account of State tax shall be utilised towards payment of integrated tax only where the balance of the input tax credit on account of central tax is not available for payment of integrated tax;</i>
	(d)	<i>the Union territory tax shall first be utilised towards payment of Union territory tax and the amount remaining, if any, may be utilised towards payment of integrated tax;</i>
		<i>Provided that the input tax credit on account of Union territory tax shall be utilised towards payment of integrated tax only where the balance of the input tax</i>

		<i>credit on account of central tax is not available for payment of integrated tax;</i>
	(e)	<i>the central tax shall not be utilised towards payment of State tax or Union territory tax; and</i>
	(f)	<i>the State tax or Union territory tax shall not be utilised towards payment of central tax.</i>
Section 49A	Utilisation of input tax credit subject to certain conditions	
	<i>Notwithstanding anything contained in section 49, the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully towards such payment.</i>	
Section 49B	Order of utilisation of input tax credit	
	<i>Notwithstanding anything contained in this Chapter and subject to the provisions of clause (e) and clause (f) of sub-section (5) of section 49, the Government may, on the recommendations of the Council, prescribe the order and manner of utilisation of the input tax credit on account of integrated tax, central tax, State tax or Union territory tax, as the case may be, towards payment of any such tax.</i>	
Chapter IX: Payment of Tax of the CGST Rules		
Rule 86A	Conditions of use of amount available in electronic credit ledger	
(1)	<i>The Commissioner or an officer authorised by him in this behalf, not below the rank of an Assistant Commissioner, having reasons to believe that credit of input tax available in the electronic credit ledger has been fraudulently availed or is ineligible in as much as-</i>	

	(a)	the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36-
		i. issued by a registered person who has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or
		ii. without receipt of goods or services or both; or
	(b)	the credit of input tax has been availed on the strength of tax invoices or debit notes or any other document prescribed under rule 36 in respect of any supply, the tax charged in respect of which has not been paid to the Government; or
	(c)	the registered person availing the credit of input tax has been found non-existent or not to be conducting any business from any place for which registration has been obtained; or
	(d)	he registered person availing any credit of input tax is not in possession of a tax invoice or debit note or any other document prescribed under rule 36,
	may, for reasons to be recorded in writing, not allow debit of an amount equivalent to such credit in electronic credit ledger for discharge of any liability under section 49 or for claim of any refund of any unutilised amount.	
(2)	The Commissioner, or the officer authorised by him under sub-rule (1) may, upon being satisfied that conditions for disallowing debit of electronic credit ledger as above, no longer exist, allow such debit.	
(3)	Such restriction shall cease to have effect after the expiry of a period of one year from the date of imposing such restriction.	

Rule 86B	<i>Restrictions on use of amount available in electronic credit ledger</i>
	<i>Notwithstanding anything contained in these rules, the registered person shall not use the amount available in electronic credit ledger to discharge his liability towards output tax in excess of ninety-nine per cent. of such tax liability, in cases where the value of taxable supply other than exempt supply and zero-rated supply, in a month exceeds fifty lakh rupees:</i>
	<i>Provided that the said restriction shall not apply where -</i>
	(a) <i>the said person or the proprietor or karta or the managing director or any of its two partners, whole-time Directors, Members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than one lakh rupees as income tax under the Income-tax Act, 1961(43 of 1961) in each of the last two financial years for which the time limit to file return of income under subsection (1) of section 139 of the said Act has expired; or</i>
	(b) <i>the registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit under clause (i) of first proviso of sub-section (3) of section 54; or</i>
	(c) <i>the registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit under clause (ii) of first proviso of sub-section (3) of section 54; or</i>
	(d) <i>the registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year; or</i>
	(e) <i>the registered person is -</i>

		(i)	Government Department; or
		(ii)	a Public Sector Undertaking; or
		(iii)	a local authority; or
		(iv)	a statutory body. ²⁶
	Provided further that the Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit		
Rule 88A	Order of utilization of input tax credit		
	Input tax credit on account of integrated tax shall first be utilised towards payment of integrated tax, and the amount remaining, if any, may be utilised towards the payment of central tax and State tax or Union territory tax, as the case may be, in any order.		
	Provided that the input tax credit on account of central tax, State tax or Union territory tax shall be utilised towards payment of integrated tax, central tax, State tax or Union territory tax, as the case may be, only after the input tax credit available on account of integrated tax has first been utilised fully.		

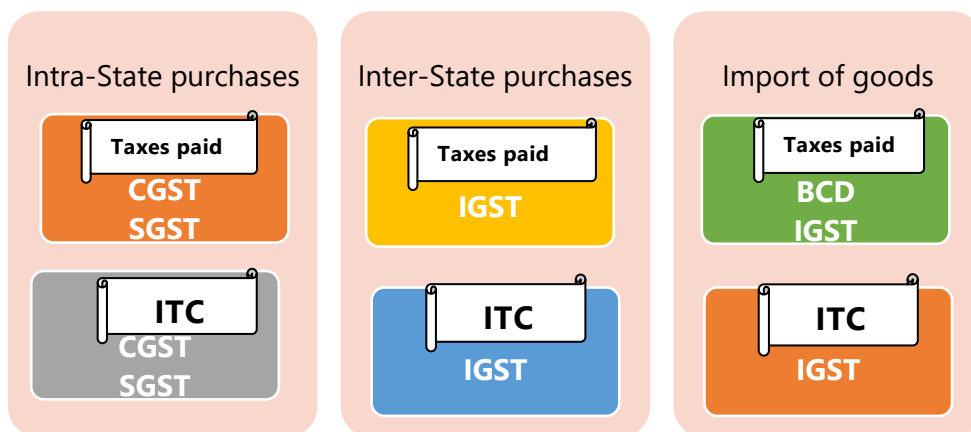


ANALYSIS

ITC is credited to a registered person's electronic credit ledger. A taxable person is entitled for ITC of CGST, SGST/UTGST and IGST depending upon the nature of supplies received by him.

²⁶ **Clause (f) provides that the registered person other than a manufacturer shall be exempted from the provisions of this rule only in respect of goods specified under rule 31D, on which the tax has been paid by the supplier on the basis of retail sale price. However, since valuation under rule 31D is outside the purview of syllabus of this paper at Intermediate level, this provision is only for the knowledge of the students and not relevant for examination purposes.**

To illustrate, a supplier making purchases intra-State, inter-State and via import (of goods) is eligible for ITC as under:



The person may use the ITC to pay his output tax liability. As we know that Indian GST is a dual GST wherein two taxes viz, CGST and SGST/UTGST are levied concurrently on a supply transaction. While the CGST revenue accrues to Central Government, SGST and UTGST revenue accrue to respective State Government and Union Territory, respectively. Hence, ITC of CGST and SGST/UTGST is not interchangeable and thus, **cross utilisation of CGST and SGST/UTGST is not permissible.**

IGST is a transitory tax. IGST paid by taxpayer initially goes to the Central Clearing Authority. ITC of IGST can be utilised for payment of CGST or SGST/UTGST (or *vice versa*). Thus, cross utilization of IGST and CGST, SGST/UTGST is permissible. Flexibility has been provided to the taxpayer to utilise ITC of IGST for first payment of IGST and then towards payment of CGST and/or SGST/UTGST in any proportion and in any order subject to the condition that the entire input tax credit on account of Integrated tax is completely exhausted before the input tax credit on account of Central Tax or State/Union territory tax can be utilized. If ITC of IGST is used for payment of SGST/UTGST (or *vice versa*), corresponding debit/credit is made to respective State Government/Union Territory.

Sections 49(5), 49A, 49B, rule 88A and *Circular No. 98/17/2019 GST dated 23.04.2019* together prescribe the sequence of utilisation of ITC. A combined reading of such provisions shows that the order of utilization of ITC is as per the order (of numerals) given below:

ITC of	Output IGST liability	Output CGST liability	Output SGST/ UTGST liability
IGST	(I)	(II) – In any order and in any proportion	
(III) ITC of IGST to be completely exhausted mandatorily			
CGST	(V)	(IV)	Not permitted
SGST/UTGST	(VII) Only after ITC of CGST has been utilized fully	Not permitted	(VI)
The numerals given above can be further explained in the following manner:			
(I)	IGST credit should first be utilized towards payment of IGST.		
(II)	Remaining IGST credit, if any, can be utilized towards payment of CGST and SGST/UTGST in any order and in any proportion, i.e. remaining ITC of IGST can be utilized – • first towards payment of CGST and then towards payment of SGST; or • first towards payment of SGST and then towards payment of CGST; or • towards payment of CGST and SGST simultaneously in any proportion e.g. 50: 50, 30: 70, 40: 60 and so on.		
(III)	Entire ITC of IGST should be fully utilized before utilizing the ITC of CGST or SGST/UTGST.		
(IV) & (V)	ITC of CGST should be utilized for payment of CGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST/UTGST		
(VI) & (VII)	ITC of SGST /UTGST should be utilized for payment of SGST/UTGST and IGST in that order. However, ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully. ITC of SGST/UTGST cannot be utilized for payment of CGST.		

- Cross-utilization of credit is available only between CGST - IGST and, SGST/UTGST - IGST.
- CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.
- ITC of IGST need to be exhausted fully before proceeding to utilize the ITC of CGST, SGST/UTGST.



(50) Amount of ITC available and output tax liability under different tax heads

Head	Output tax liability (₹)	ITC (₹)
IGST	1000	1300
CGST	300	200
SGST/UTGST	<u>300</u>	<u>200</u>
Total	1600	1700

Option 1

ITC of	Discharge of output IGST liability (₹)	Discharge of output CGST liability (₹)	Discharge of output SGST/UTGST liability (₹)	Balance of ITC (₹)
IGST	1000	200	100	0
ITC of IGST has been completely exhausted				
CGST	0	100	-	100
SGST/UTGST	0	-	200	0
Total	1000	300	300	100

Option 2

ITC of	Discharge of output IGST liability (₹)	Discharge of output CGST liability (₹)	Discharge of output SGST/UTGST liability (₹)	Balance of ITC (₹)
IGST	1000	100	200	0
ITC of IGST has been completely exhausted				
CGST	0	200	-	0
SGST/UTGST	0	-	100	100
Total	1000	300	300	100

Option 3

ITC of	Discharge of output IGST liability (₹)	Discharge of output CGST liability (₹)	Discharge of output SGST/UTGST liability (₹)	Balance of ITC (₹)
IGST	1000	150	150	0
ITC of IGST has been completely exhausted				
CGST	0	150	-	50
SGST/UTGST	0	-	150	50
Total	1000	300	300	100

There can be other options also for utilization of ITC of IGST against CGST and SGST liabilities. In this example, three options for utilizing ITC of IGST against CGST and SGST liabilities are shown.

Restrictions on utilisation of ITC [Rule 86A]

The Commissioner/ an officer (not below the rank of an Assistant Commissioner) authorised by him is empowered to impose restrictions on utilization of ITC available in the electronic credit ledger if he has **reasons to believe** that such ITC has been fraudulently availed or is ineligible.

The restrictions can be imposed in the following circumstances:

- (i) ITC has been availed by the registered person on the basis of tax invoices/debit notes/prescribed documents -
 - issued by a non-existent registered person (supplier) or by a supplier not conducting any business from the place declared in registration; or
 - without actual receipt of goods or services or both; or
 - in respect of any supply the tax in respect of which has not been paid to the Government
- (ii) the registered person availing ITC has been found non-existent or not to be conducting any business from the registered place of business; or
- (iii) the registered person availing ITC is not in possession of tax invoice/debit note or any other prescribed valid document for it.

If the ITC is so availed, the restrictions can be imposed by not allowing such ITC to

be used for discharging any liability under section 49 or not allowing refund of any unutilised amount of such ITC. Such restrictions can be imposed for a period up to 1 year from the date of imposing such restrictions. However, the Commissioner/officer authorised by him, can withdraw such restriction if he is satisfied that conditions for imposing the restrictions no longer exist.

Restrictions on the use of amount available in electronic credit ledger [Rule 86B]

Rule 86B restricts the use of ITC available in the electronic credit ledger for discharging output tax liability. The aforesaid rule starts with a non-obstante clause and thus, has an over-riding effect on any other provisions of the CGST Rules.

❑ Applicability of rule 86B

- ❖ Rule 86B is applicable to the registered person having value of taxable supply (other than exempt supply and zero-rated supply) in a month exceeding ₹ 50 lakh.
- ❖ Therefore, in cases wherein value of taxable supply in a month is upto ₹ 50 lakh, then this restriction would not be applicable.

❑ Nature of restriction imposed

The registered person to whom the said rule is applicable cannot use ITC to discharge the output tax liability in excess of 99% of such tax liability. In other words, amount available in electronic credit ledger shall be utilized only to the extent of 99% of the output tax liability while discharging such tax liability. Balance 1% of the output tax liability needs to be discharged from electronic cash ledger.

Minimum 1% of the output tax liability be discharged using electronic cash ledger

The above restriction can be explained with the help of numerical example:



(51) The total value of inter-State supply of Raman & Sons for the month of February is of ₹ 100 lakh. Said supply is taxable @ 18% IGST. Thus, total output tax liability of Raman & Sons is ₹ 18 lakh. Amount available in electronic credit ledger is ₹ 20 lakh (IGST).

In terms of restriction imposed by rule 86B, Raman & Sons can discharge 99% of its output tax liability, i.e. ₹ 17,82,000 (99% of ₹ 18,00,000) from the amount available in electronic credit ledger. However, it has to mandatorily discharge the balance 1% of the output tax liability i.e. ₹ 18,000 (1% of ₹ 18,00,000) through electronic cash ledger only.

❑ **Exceptions to rule 86B**

In order to strike a balance between restricting potential misuse of ITC and providing relief to compliant taxpayers, few exceptions to rule 86B have been carved out. They take into account different circumstances and ensure that taxpayers who have fulfilled certain criteria are not unduly burdened by the restrictions imposed by rule 86B.

➤ **Payment of income tax of more than ₹ 1 lakh**

Restriction under rule 86B is not applicable in cases where the below mentioned person(s) have paid a sum of more than ₹ 1 lakh as income tax (under the Income -tax Act, 1961) in each of the last 2 FYs for which the time limit to file return of income under section 139(1) of the Income-tax Act has expired:

- ❖ Registered person /proprietor/Karta/managing director/any of its two partners
- ❖ Whole-time directors,
- ❖ Members of Managing Committee of Associations
- ❖ Board of Trustees

➤ **Receipt of refund of input tax credit of more than ₹ 1 lakh**

Rule 86B is not applicable where the registered person has received a refund amount of more than ₹ 1 lakh on account of unutilized ITC under:

- ❖ zero-rated supplies made without payment of tax
- ❖ inverted duty structure

It is pertinent to note that refund should have been received in preceding FY.

➤ **Payment of output tax liability through electronic cash ledger in excess of 1% of total output tax liability in current FY**

If the registered person has discharged his output tax liability through the electronic cash ledger for an amount in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year, the restrictions under rule 86B shall not apply.

This exception provides relief to registered persons who have consistently made substantial cash payments towards their GST liabilities. The total cash payment of GST made by the registered person is considered cumulatively for all preceding months of the current FY. The cumulative approach ensures that the registered person is given credit for its consistent cash payments throughout the year, rather than assessing each month in isolation.



(52) Assuming a scenario wherein in the current FY, in September month, the value of taxable outward supply is ₹ 80 lakh. Cumulative value of taxable outward supplies from April to August month is ₹ 100 lakh. Output tax liability discharged through electronic cash ledger till August month is ₹ 1 lakh. Rule 86B would not be applicable in the September month even though the value of supply during this month exceeds ₹ 50 lakh, since cumulative payment of tax made in cash till August month is more than 1% of total output tax liability till September month $[1\% \text{ of } \{(\text{₹ } 80 \text{ lakh} + \text{₹ } 100 \text{ lakh}) \times 18\%\}]$ is ₹ 32,400.

It is pertinent to note that GST liability paid under reverse charge mechanism should not be taken into account while calculating the total output liability paid through electronic cash ledger.

➤ **Specified registered persons**

Rule 86B is not applicable in case of below-mentioned registered person:

- ❖ Government Department; or
- ❖ a Public Sector Undertaking; or
- ❖ a local authority; or

❖ a statutory body.

However, Commissioner or an officer authorised by him in this behalf may remove the said restriction after such verifications and such safeguards as he may deem fit²⁷.

Quiz Time!



5

Dua & Co made an outward inter-State supply of ₹ 80 lakh in the month of March. During the month, it purchased raw material worth ₹ 70 lakh and procured cement of ₹ 5 lakh for making foundation and structural support to a plant and machinery. Assuming that the opening balance of ITC for IGST for the relevant period is ₹ 2 lakh and all inward and outward supplies undertaken in the month of March are inter-State, compute the amount of net IGST payable in cash, if any, for the month of March. Rate of GST applicable is 18%. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

(a) ₹ 14,400

(b) Nil

(c) ₹ 14.40 lakh

(d) ₹ 9,000

ILLUSTRATION 2

ABC Ltd., registered under GST, is engaged in the manufacture of heavy machinery. It procured the following items during the month of July.

S. No.	Items	GST (₹)
(i)	Electrical transformers to be used in the manufacturing process	5,20,000

²⁷ If tax on pan masala/tobacco/cigarettes has already been paid based on their RSP (retail sales price), then a trader (not the manufacturer) reselling those goods doesn't have to separately pay 1% of GST in cash even if satisfies other conditions of rule 86B. RSP valuation provisions are contained in rule 31D which are outside the purview of syllabus of this paper at Intermediate level. Hence, this provision is only for the knowledge of the students and not relevant for examination purposes.

(ii)	Trucks used for the transport of raw material	1,00,000
(iii)	Raw material	2,00,000
(iv)	Confectionery items. These items were supplied free of cost to the customers in a customer meet organized by the company	25,000

Determine the amount of ITC that can be availed by ABC Co. Ltd., for the month of July by giving necessary explanations for treatment of various items. Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.

ANSWER

Computation of ITC that can be availed by with ABC Co. Ltd. for the month of July

S. No.	Items	ITC (₹)
(i)	Electrical transformers [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	5,20,000
(ii)	Trucks used for the transport of raw material [ITC on motor vehicles used for transportation of goods is not blocked under section 17(5)(a)]	1,00,000
(iii)	Raw material [Being goods used in the course or furtherance of business, ITC thereon is available in terms of section 16(1)]	2,00,000
(iv)	Confectionery items for consumption of customers at customers meet [ITC on food or beverages is specifically disallowed unless the same is used for making outward taxable supply of the same category or as an element of the taxable composite or mixed supply-Section 17(5)(b)(i)]	Nil
	Total ITC	8,20,000

ILLUSTRATION 3

XYZ Ltd., registered under GST, is engaged in manufacture of taxable goods. Compute the ITC that can be availed by XYZ Ltd. for the month of October from the following particulars:-

S. No.	Inward supplies	GST (₹)	Remarks
(i)	Inputs 'A'	1,00,000	One invoice on which GST payable was ₹ 10,000, is missing
(ii)	Inputs 'B'	50,000	Inputs are to be received in two lots. First lot has been received in October
(iii)	Capital goods	1,20,000	XYZ Ltd. has capitalised the capital goods at full invoice value inclusive of GST as it will avail depreciation on the full invoice value.
(iv)	Input services	2,25,000	One invoice dated 20 th January on which GST payable was ₹ 50,000 was missing and has been found in October

Note:

- (i) Subject to the information given above, assume that all the other conditions necessary for availing ITC have been fulfilled.
- (ii) The annual return for the previous financial year was filed on 15th September.

ANSWER

Computation of ITC that can be availed by XYZ Ltd. for the month of October

S. No.	Inward supplies	ITC (₹)
(i)	Inputs 'A' [ITC cannot be taken on missing invoice. The registered person should have the invoice in its possession to claim ITC-Section 16(2)(a)]	90,000
(ii)	Inputs 'B'	Nil

	[When inputs are received in lots, ITC can be availed only on receipt of last lot-First proviso to section 16(2)]	
(iii)	Capital goods [Input tax paid on capital goods cannot be availed as ITC, if depreciation has been claimed on such tax component – Section 16(3)]	Nil
(iv)	Input services [As per section 16(4), ITC on an invoice cannot be availed after 30 th November following the end of financial year to which such invoice pertains or the date of filing annual return, whichever is earlier. Since the annual return for the previous financial year has been filed on 15 th September (prior to 30 th November), ITC on the invoice pertaining to previous financial year cannot be availed after 15 th September]	1,75,000
	Total ITC	2,65,000

ILLUSTRATION 4

XT Pvt. Ltd., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (₹)
Intra-State supply of goods	8,00,000
Inter-State supply of goods	3,00,000

It has also furnished the following information in respect of purchases made by it in that tax period:

Particulars	Amount (₹)
Intra-State purchases of goods	2,00,000
Inter-State purchases of goods	50,000

The company has following opening balance of ITCs for the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	70,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.

Compute the minimum GST, payable in cash, by XT Pvt. Ltd. for the tax period. Make suitable assumptions as required.

ANSWER**Computation of GST payable on outward supplies**

S.No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 8,00,000	72,000	72,000		1,44,000
(ii)	Inter-State supply of goods for ₹ 3,00,000			54,000	54,000
	Total GST payable				1,98,000

Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Opening ITC	57,000	Nil	70,000
Add: ITC on Intra-State purchases of goods valuing ₹ 2,00,000	18,000	18,000	Nil

Add: ITC on Inter-State purchases of goods valuing ₹ 50,000	Nil	Nil	9,000
Total ITC	75,000	18,000	79,000

Computation of minimum GST payable from electronic cash ledger

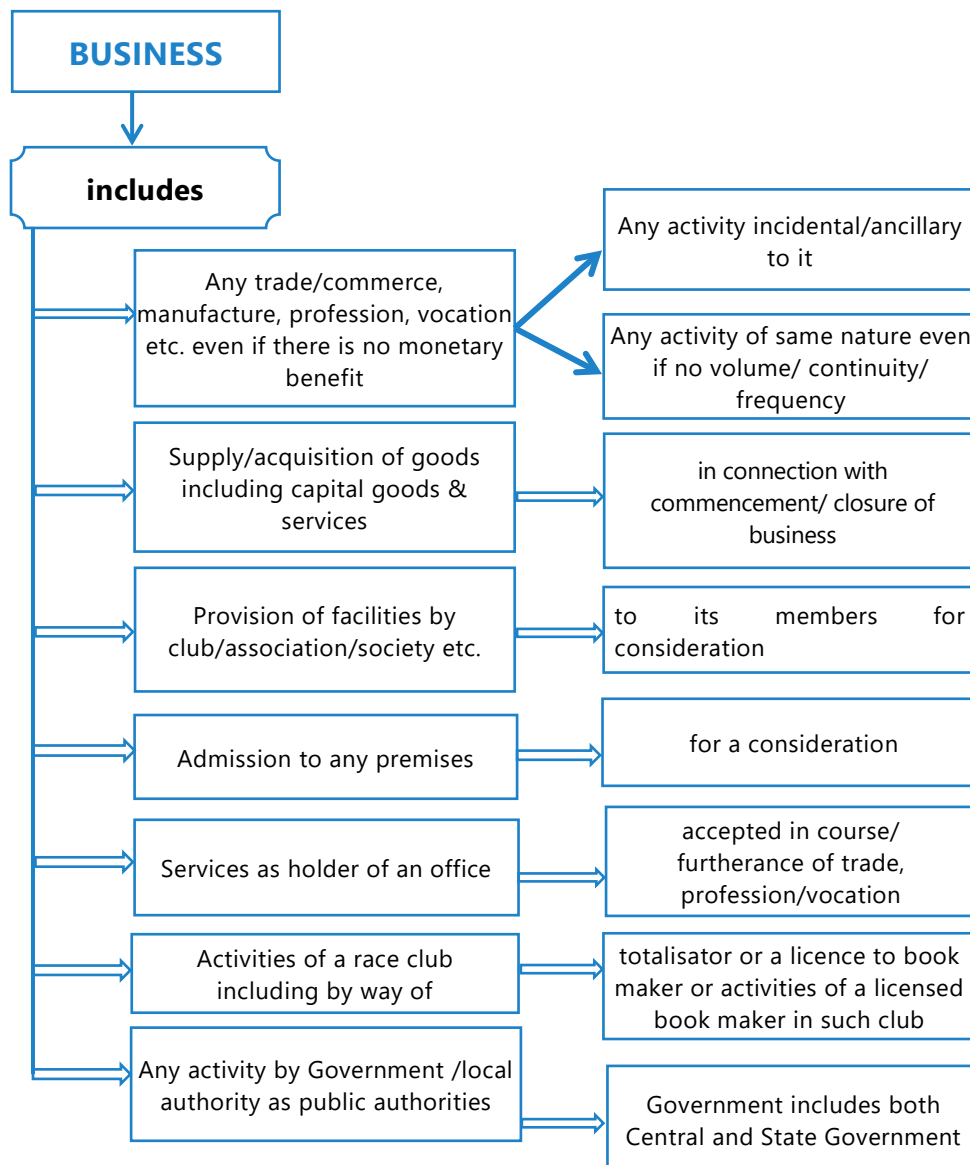
Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	72,000	72,000	54,000	1,98,000
Less: ITC [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(Nil) IGST	(25,000) IGST	(54,000) IGST	79,000
ITC of CGST and SGST set off against CGST and SGST respectively	(72,000) CGST	(18,000) SGST		90,000
Minimum GST payable in cash	Nil	29,000	Nil	29,000

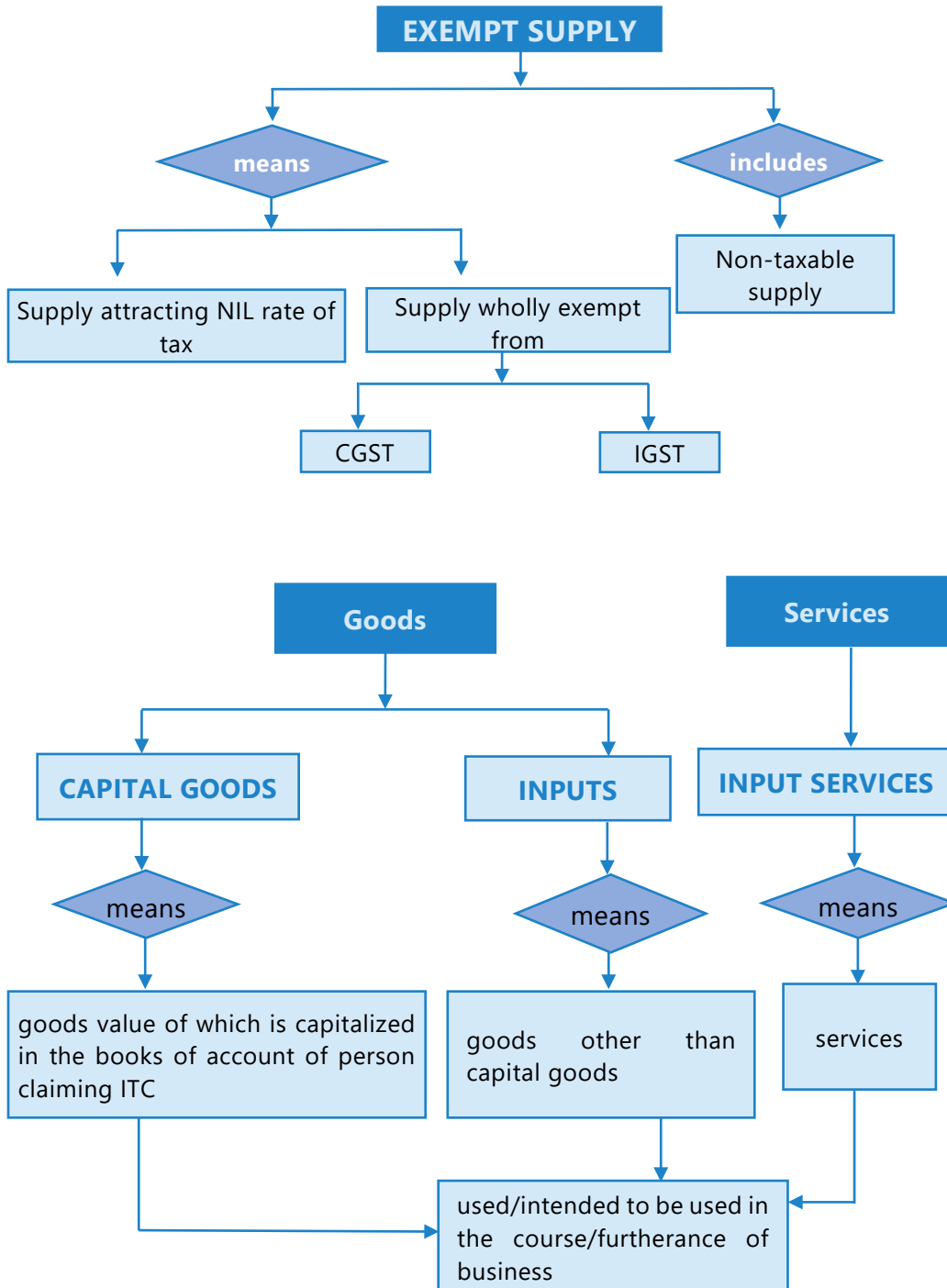
Note : Since sufficient balance of ITC of CGST is available for paying CGST liability and cross utilization of ITC of CGST and SGST is not allowed, ITC of IGST has been used to pay SGST (after paying IGST liability) to minimize cash outflow.

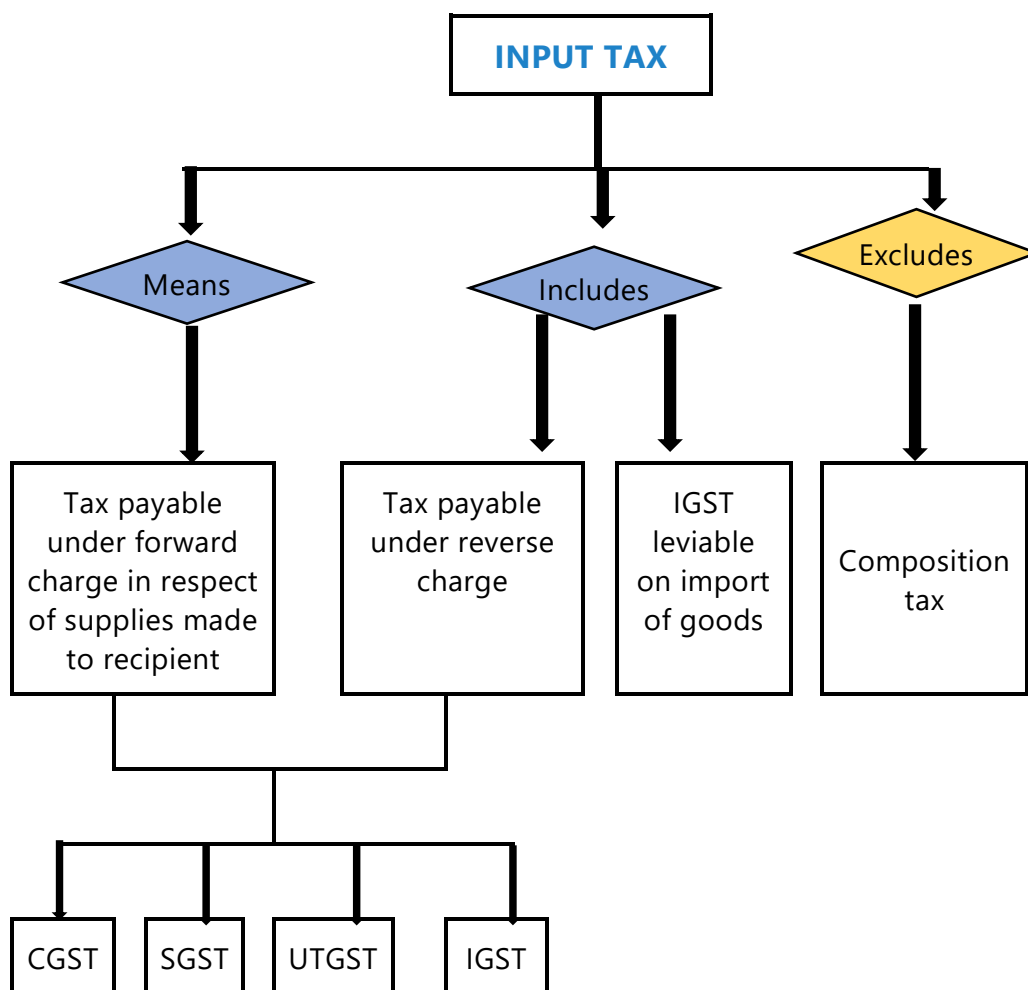


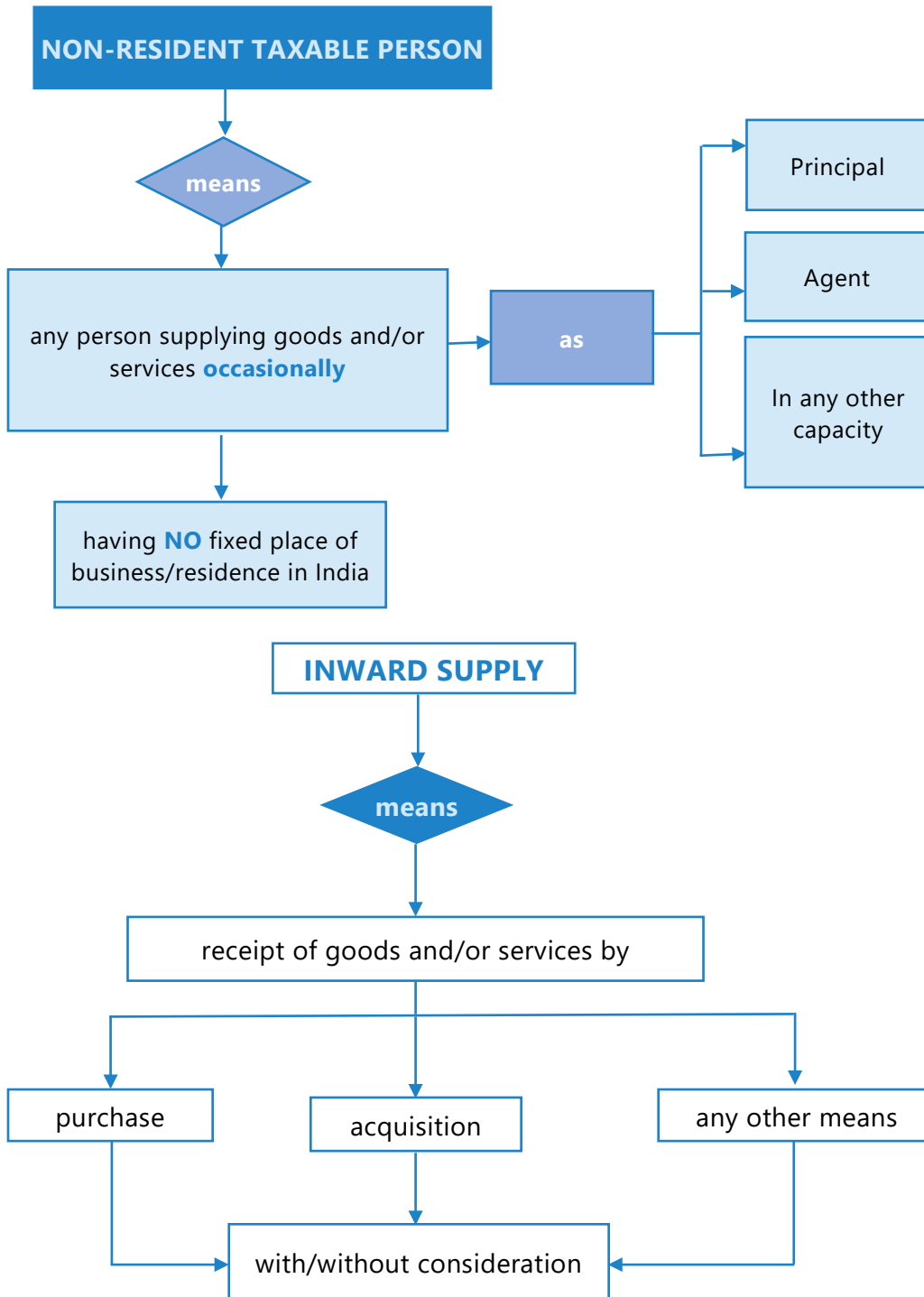
LET US RECAPITULATE

I. Definitions of certain key terms are summarized by way of diagrams as under:

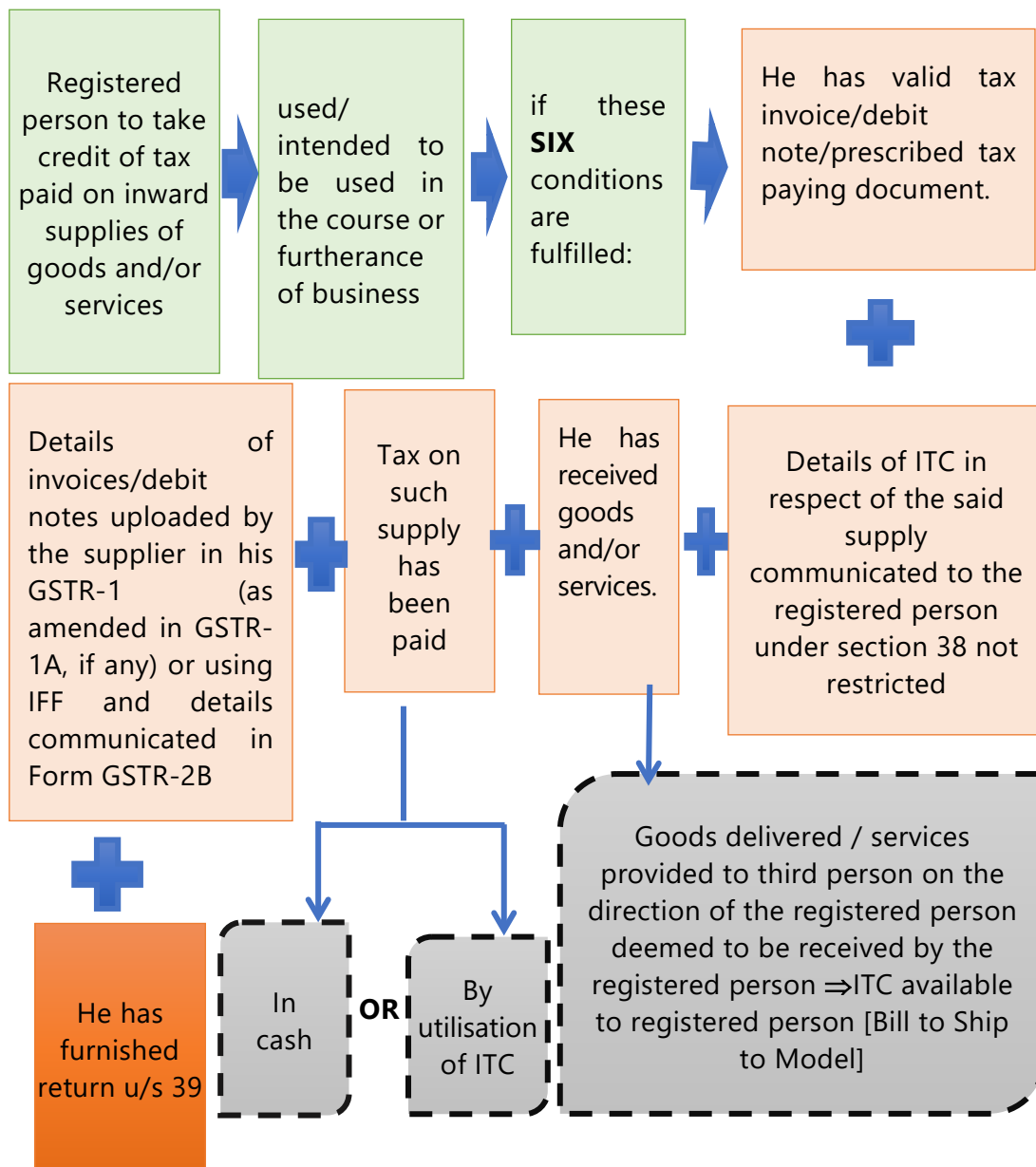








II. Provisions of section 16 relating to eligibility and conditions for taking ITC read with relevant rules are summarized below:



If depreciation claimed on tax component, ITC not allowed.

Goods received in lots → ITC allowed upon receipt of last lot

Time limit for availing ITC - ITC pertaining to a particular FY can be availed by 30th November of next FY or filing of annual return, whichever is earlier.

Exception: Re-availment of ITC reversed earlier

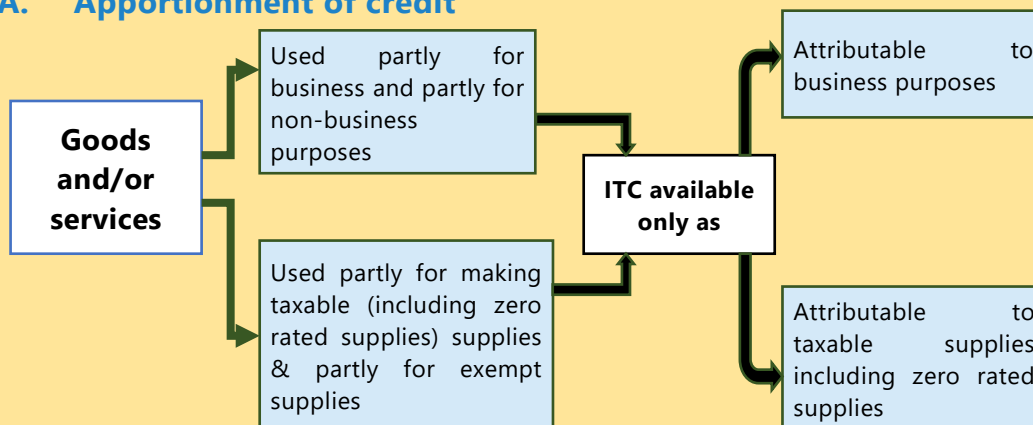
- ❖ Proportionate ITC to be reversed/paid with interest if whole/part of value + tax of goods and /or services is not paid within 180 days of the issuance of invoice.
- ❖ On payment to supplier, the ITC could be re-availed without any time limit.

EXCEPTIONS

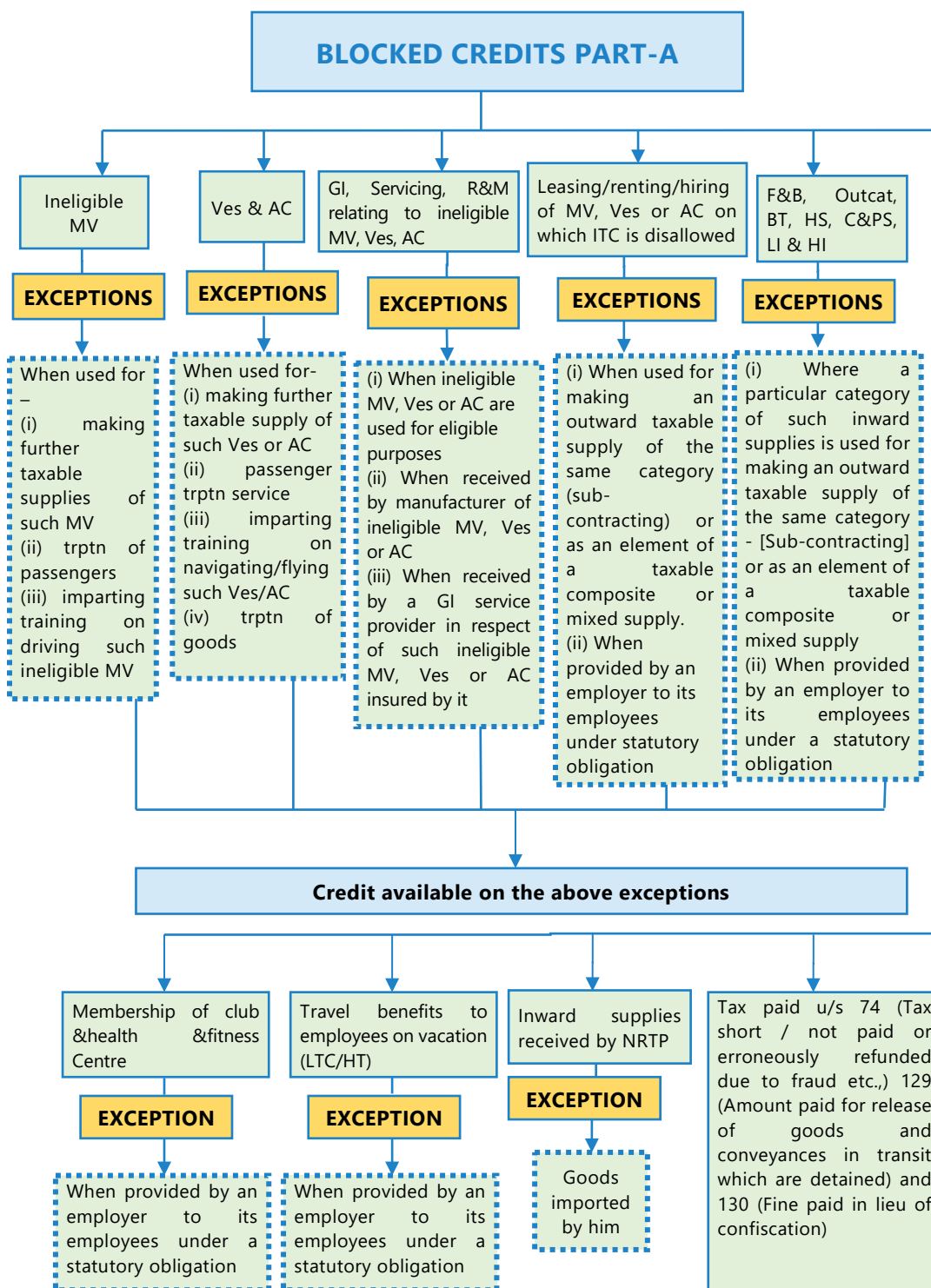
- Reverse charge supplies
- Deemed supplies without consideration
- Additions made to value of supplies on account of supplier's liability being incurred by the recipient of the supply

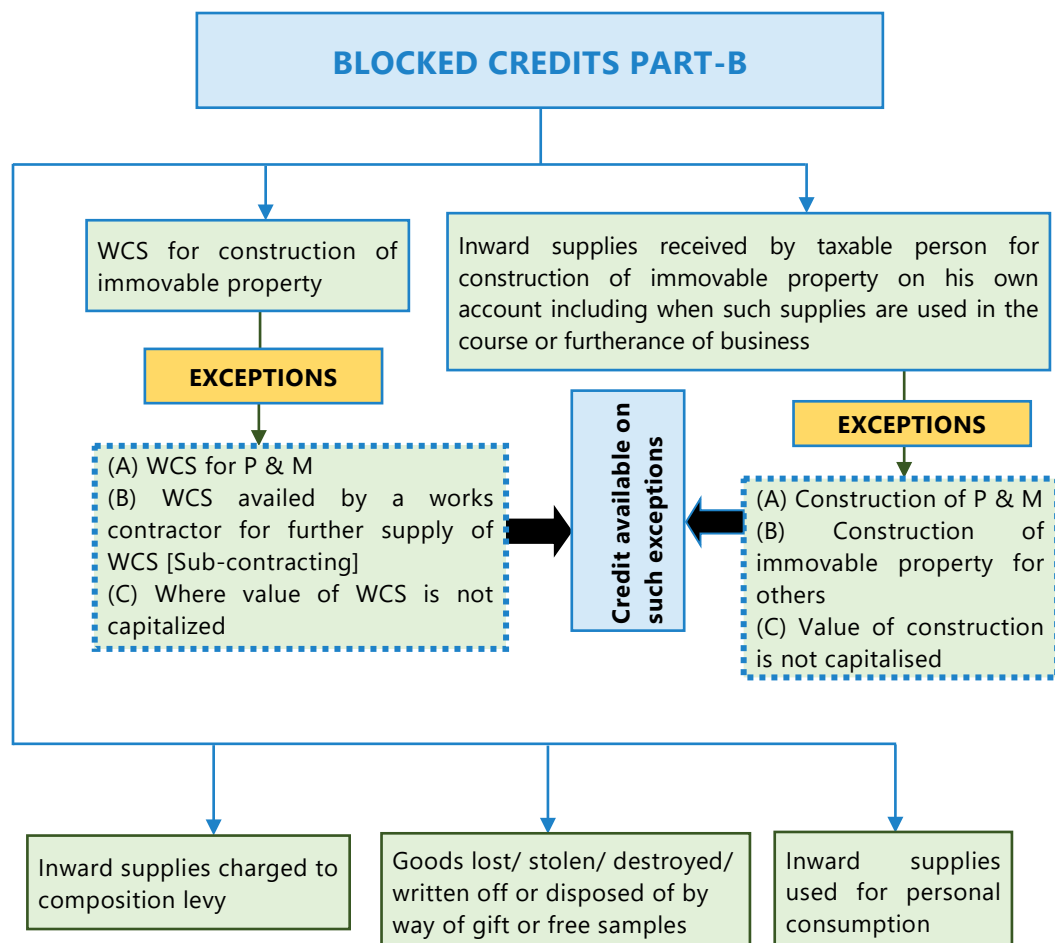
III. Provisions of section 17 relating to apportionment of credit and blocked credits read with relevant rules are summarized as under:

A. Apportionment of credit



Exempt supplies include reverse charge supplies & transactions in securities and exclude activities specified in Schedule III except sale of land and sale of building when entire consideration is received post completion certificate/first occupation, whichever is earlier and the value of such activities/transactions as may be prescribed in respect of clause (a) of paragraph 8 of the said Schedule.



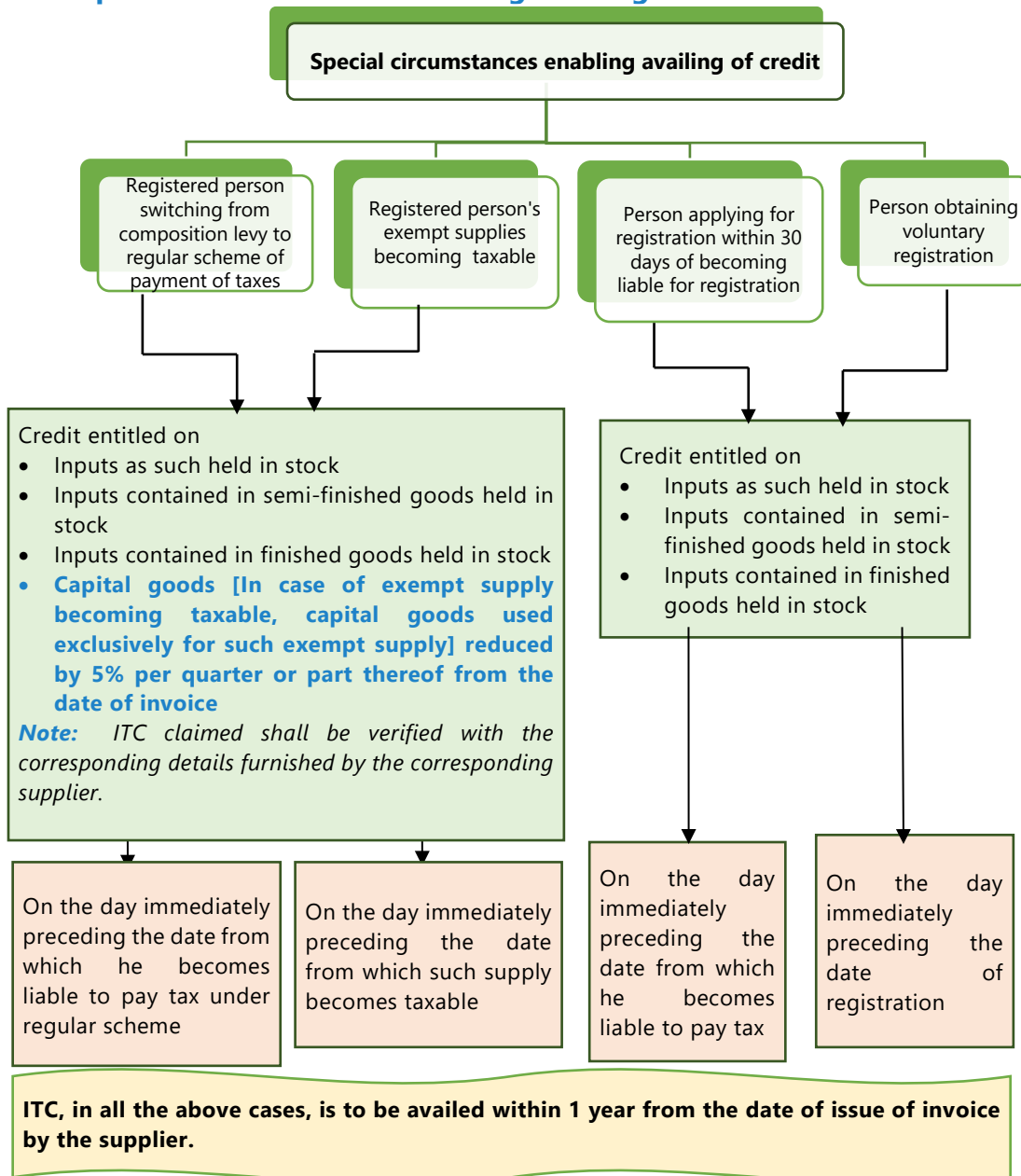


Ineligible MV-Motor vehicle for transportation of persons with seating capacity of ≤ 13 persons (including driver); Ves & AC-Vessel & Aircraft; GI-General insurance; R&M-Repairs & maintenance; F&B-Food & beverages; Outdoor catering; BT-Beauty treatment; HS-Health services; C&PS-Cosmetic & plastic surgery; LI-Life insurance; HI-Health insurance; NRTP-Non-resident taxable person; WCS-Works contract service; LTC-Leave Travel Concession; HT-Home town; trptn-transportation; P & M-Plant & machinery

(A) Construction includes re-construction/ renovation/ addition/ alterations/ repairs to the extent of capitalisation to said immovable property.
(B) P & M means apparatus, equipment, & machinery fixed to earth by foundation or structural supports but excludes land, building/ other civil structures, telecommunication towers, and pipelines laid outside the factory premises.

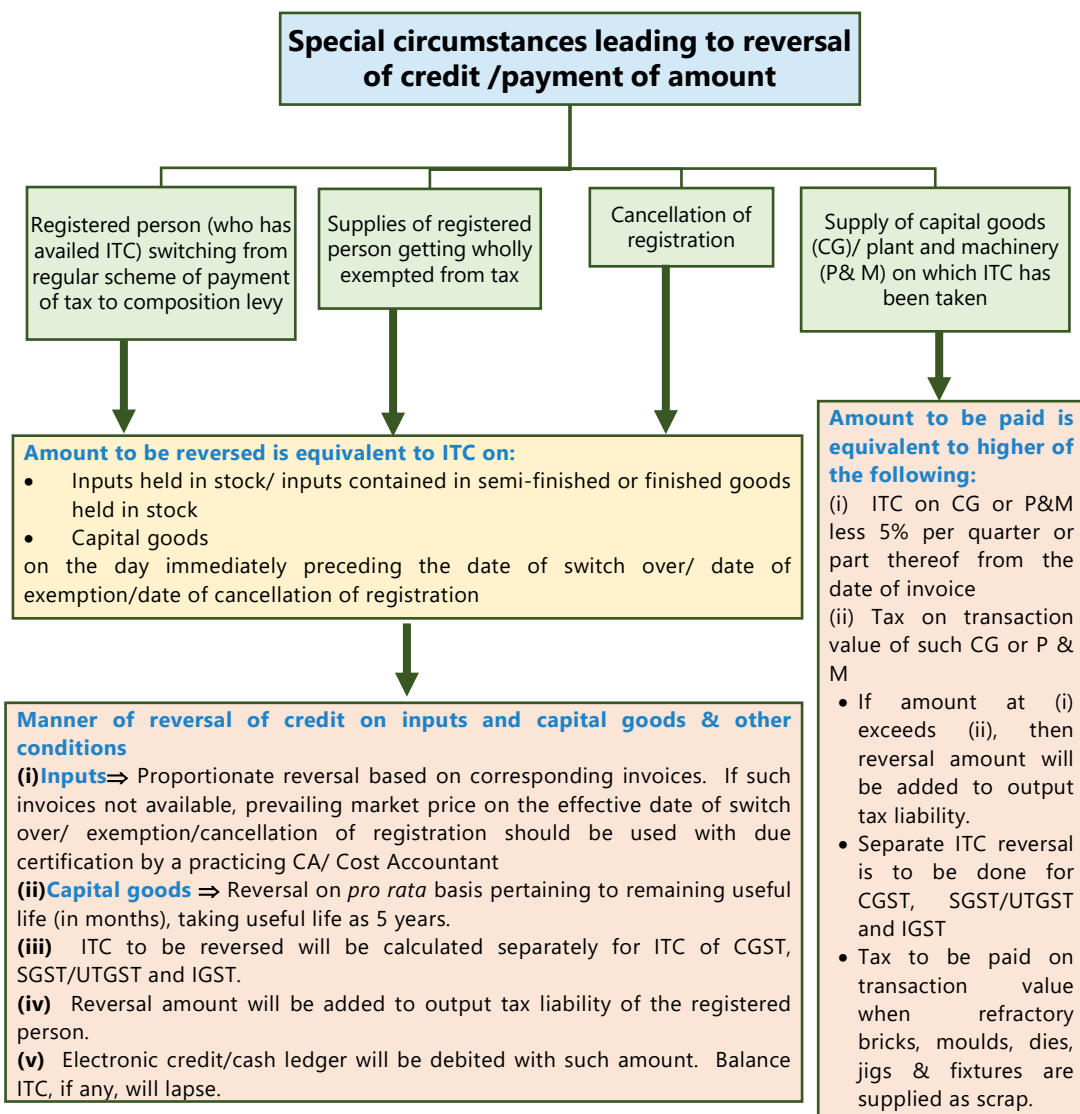
IV. Provisions of section 18 read with relevant rules are summarized as under:

A. Special circumstances enabling availing of credit



Conditions for availing above credit:

- (i) Filing of electronic declaration giving details of inputs held in stock/contained in semi-finished goods and finished goods held in stock and capital goods on the day immediately preceding the day on which credit becomes eligible.
- (ii) Declaration has to be filed within 30 days from becoming eligible to avail credit.
- (iii) Details in (i) above to be certified by a practising CA/ Cost Accountant if aggregate claim of CGST, SGST/ IGST credit is more than ₹ 2,00,000.

B. Special circumstances leading to reversal of credit/payment of amount

Transfer of unutilised ITC on account of change in constitution of registered person

In case of sale, merger, amalgamation, lease or transfer of business, unutilised ITC can be transferred to the new entity if there is a specific provision for transfer of liabilities to the new entity. The inputs and capital goods so transferred should be duly accounted for by the transferee in his books of accounts.

In case of demerger, ITC is apportioned in the ratio of value of entire assets (including assets on which ITC has not been taken) of the new units as per the demerger scheme.

Details of change in constitution are to be furnished on common portal along with request to transfer unutilised ITC. CA/Cost Accountant certificate is to be submitted certifying that change in constitution has been done with specific provision for transfer of liabilities.

Upon acceptance of such details by the transferee on the common portal, the unutilised ITC is credited to his Electronic Credit Ledger.

Transfer of unutilised ITC on obtaining separate registrations for multiple places of business within a State/UT

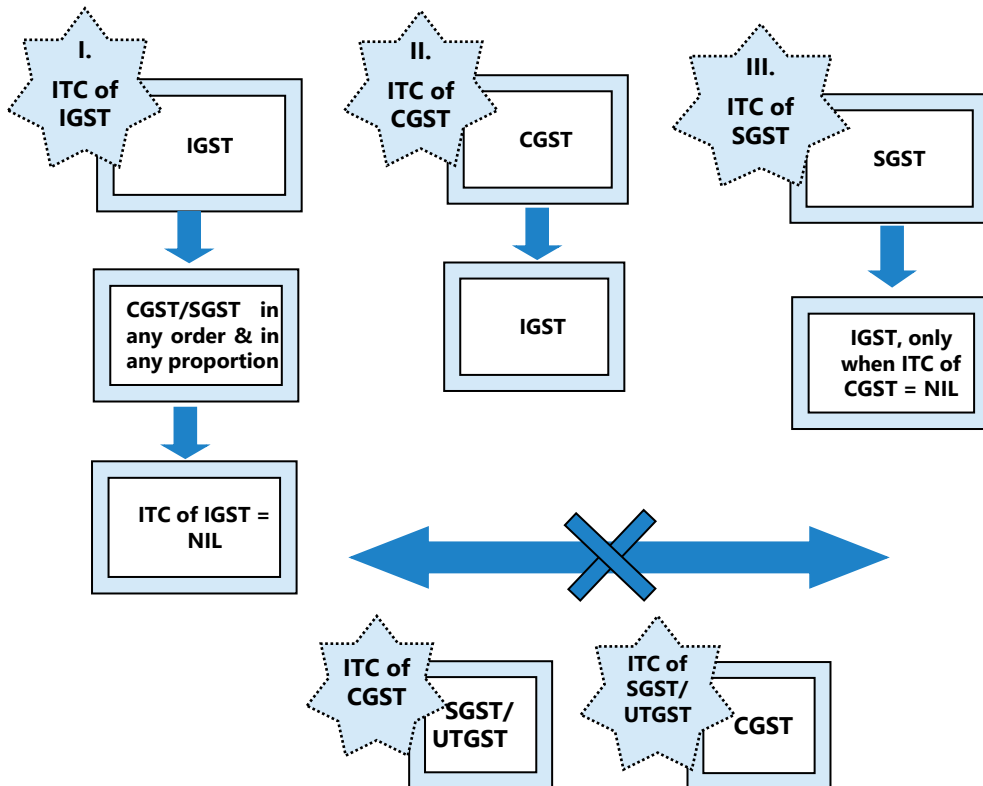
Registered person having separate registrations for multiple places of business can transfer the unutilised ITC to any or all of the newly registered place(s) of business in the ratio of the value of assets held by them at the time of registration.

Value of assets means the value of the entire assets of the business irrespective of whether ITC has been availed thereon or not.

The registered person should furnish the prescribed details on the common portal within a period of 30 days from obtaining such separate registrations.

Upon acceptance of such details by the newly registered person (transferee) on the common portal, the unutilised ITC is credited to his electronic credit ledger.

V. Provisions relating to utilization of ITC are summarized as under:





TEST YOUR KNOWLEDGE

1. What is input tax?
2. What are the conditions necessary for availing ITC?
3. Can a person take ITC without payment of consideration for the supply along with tax?
4. What is the time limit for taking ITC and reasons therefor?
5. What is the ITC entitlement of a newly registered person?
6. What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?
7. A registered person transfers its business to another person.

Is such registered person allowed to transfer the unutilized ITC lying in its electronic credit ledger to such transferred business? Discuss.

8. Swastik Pvt. Ltd. is a manufacturer of taxable goods. It purchased a machinery for ₹ 8,00,000 on which IGST of ₹ 14,400 is paid. The company has claimed depreciation under the Income-tax Act, 1961 on the full value of the machine, i.e. including the IGST component as also availed ITC of ₹ 14,400 paid by it as IGST.

Examine if the stand taken by the company is correct in law.

9. Vibrant InfoTech Pvt. Ltd., a company engaged in providing information technology services, purchased a motor car (with approved seating capacity of 5 persons, including driver) from an authorised dealer for ₹ 5,00,000, on which GST of ₹ 90,000 was charged separately in the tax invoice. The car has been provided exclusively for the official use of the company's Executive Directors and is not used for any other purpose.

In the same tax period, the company also purchased a delivery van (goods carriage) for ₹ 9,00,000 plus GST of ₹ 1,62,000, used to transport of laptops and IT hardware between its two office locations.

Examine, with reference to the relevant provisions of the CGST Act, 2017, whether Vibrant InfoTech Pvt. Ltd. is eligible to avail input tax credit of the GST paid on:

- (i) the motor car purchased for use of its Executive Directors; and*
- (ii) the delivery van purchased for transportation of goods.*

10. *A technical testing agency tests and certifies each batch of machine tools before dispatch by BMT Ltd. Some of these tools are dispatched to a unit in a SEZ for authorised operations without payment of GST as these supplies are not taxable.*

The finance personnel of BMT Ltd. want to know whether they need to carry out reversal of ITC on the testing agency's services to the extent attributable to the SEZ supplies. Give your comments.

11. *'AB', a registered person, was paying tax under composition scheme up to 30th July. However, w.e.f. 31st July, 'AB' becomes liable to pay tax under regular scheme.*

Is 'AB' eligible for any ITC?

12. *Babla Enterprises is exclusively engaged in making exempt supply of goods and is thus, not registered under GST. On 1st October, the exemption available on its goods gets withdrawn. On that day, the turnover of Babla Enterprises was ₹ 45 lakh.*

Examine the eligibility of Babla Enterprises for availing ITC, if any.

13. *Mamta Trade Links trades in exempt goods and provides taxable services. It is registered under GST. On 1st October, the exemption available on its goods gets withdrawn.*

Analyze the scenario and determine the eligibility of Mamta Trade Links for availing ITC, if any, on inputs and/or capital goods used in the supply of exempt goods.

14. *Harshgeet Pvt. Ltd., a registered supplier, is engaged in the manufacture of taxable goods. The company provides the following information pertaining to purchases made/services availed by it during the month of July:*

S. No	Particulars	GST (₹)
(1)	Raw materials (to be received in the month of September)	2,50,000
(2)	Membership of a club availed for employees working in the factory (not obligatory to be provided under any law)	1,45,000
(3)	Inputs to be received in 5 lots, out of which 3 rd lot was received during the month	80,000
(4)	Trucks used for transport of raw material	40,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those items is ₹ 80,000)	1,50,000

Determine the amount of ITC that can be availed by Harshgeet Pvt. Ltd. for the month of July by giving the necessary explanation for the treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

15. Jamku Ltd., a registered person, is engaged in the business of spices. It provides following details in relation to GST paid on inward supplies procured by it during the month of October.

S. No.	Particulars	GST (₹)
(1)	Raw spices purchase - Raw spices sold to customers - Raw spices used for personal use of directors	50,000 20,000
(2)	Electric machinery purchased for being used in the manufacturing process	25,000
(3)	A 6 seater motor vehicle used for transportation of employees	55,000
(4)	Payment made to a contractor for construction of staff quarters	1,25,000

Determine the amount of ITC that can be availed by Jamku Ltd. for the month of October by giving the necessary explanation for treatment of various items.

Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

16. *Dina Ltd., a registered supplier from Maharashtra, is engaged in the manufacture of passenger autos. The company provides the following details of purchases made/services availed by it during the month of March:*

S. No.	Particulars	GST (₹)
(1)	<i>Purchase of iron which is used as a raw material [Goods were received in two lots - first in March and the second in April]</i>	2,50,000
(2)	<i>Purchase of accessories which were delivered directly to the dealers of the company on the direction of Dina Ltd. [Only invoice was received by Dina Ltd.]</i>	90,000
(3)	<i>Purchase of bus (seating capacity 15) for the transportation of employees from their residence to company and back</i>	1,97,000
(4)	<i>General insurance taken on a car (seating capacity 5) used by executives of the company for official purposes</i>	5,200

You are required to determine the ITC that can be availed by Dina Ltd. for the month of March, by giving brief explanations for treatment of various items. Subject to the information given above, all the other conditions necessary for availing ITC have been fulfilled.

17. *Comfortable (P) Ltd. is registered under GST in the State of Odisha. It is engaged in the business of manufacturing of iron and steel products. It has received IT engineering services from High-Fi Infotech (P) Ltd. for ₹ 11,00,000/- (excluding GST @ 18%) on 28th October. Invoice for service rendered was issued on 5th November.*

Comfortable (P) Ltd. made part payment of ₹ 4,20,000/- on 30th November. Being unhappy with service provided by High-fi Infotech (P) Ltd., it did not make the balance payment. Deficiency in service rendered was made good by High-

Fi Infotech (P) Ltd. by 15th April of next financial year. Comfortable (P) Ltd. made the balance payment on 6th July of next financial year.

Examine the availability of ITC with Comfortable (P) Ltd. in respect of IT engineering services received by it from High-Fi Infotech (P) Ltd.

18. *M/s. Diwan & Sons of New Delhi, has placed an order for 250 kg of plastic granules @ ₹ 50 per kg (exclusive of GST) on M/s. Karim & Bros. of Noida, U.P. M/s. Karim & Bros. has agreed to deliver the goods at the warehouse of M/s. Diwan & Sons at New Delhi.*

While the order was getting packed at the factory of M/s. Karim & Bros., M/s. Diwan & Sons got an order from Shubhkamna Sales of Hapur, U.P., for 250 kg of plastic granules @ ₹ 60 per kg (exclusive of GST). In order to save on transportation cost, M/s. Diwan & Sons asks M/s. Karim & Bros. to directly deliver the plastic granules to Shubhkamna Sales at its godown located in Hapur. Accordingly, M/s. Karim & Bros. has delivered the plastic granules at the godown of Shubhkamna Sales at Hapur.

Examine the availability of ITC with M/s. Diwan & Sons & Shubhkamna Sales.

Note: All the parties are registered under GST and rate of GST is 18%.

19. *M/s Poorvi Ltd, a registered supplier of various goods and services, provided the following information pertaining to GST paid on inward supplies for the month of August:*

S. No.	Particulars	GST Paid (₹)
1.	<i>Purchased goods which are used for activities related to his obligation under corporate social responsibility referred to in section 135 of the Companies Act, 2013.</i>	3,00,000
2.	<i>Purchased raw material worth ₹ 5,90,000 including GST in 5 lots. 3. lots of raw material worth ₹ 3,00,000 excluding GST received in the current month and remaining lots will be received in next month (September).</i>	90,000
3.	<i>Company paid for outdoor catering expenses for the lunch of its factory employees during the</i>	50,000

	<i>lunch hours as per the policy of the company. There is no legal obligation to provide such lunch facility to the employees.</i>	
4.	<i>Purchased goods from M/s Om Traders -all goods and invoices were received by the company in August, but one invoice out of these invoices has not been furnished by the supplier in the statement of outward supplies (using IFF). The GST paid on the invoice not furnished is ₹ 50,000.</i>	2,00,000
5.	<i>Purchased raw material to manufacture finished goods. Such finished goods to be sold to potential customers under Scheme 'Buy one get one free'.</i>	1,50,000

Compute the amount of net ITC available to M/s Poorvi Ltd. for the month of August with necessary explanations for the treatment of all the items in the table. Subject to information given above, all other conditions necessary for availing the ITC have been fulfilled.

20. Vishnu Limited was not mandatorily required to get registered under GST law, however it opted for voluntary registration and applied for registration on 12th February 2026. Registration certificate has been granted by the Department on 24th February 2026, Vishnu Limited is not engaged in making inter-State outward taxable supplies. The CGST and SGST liability for the month of February 2026 is ₹ 31,000 each. Vishnu Limited provides the following information of goods held in stock on 23rd February 2026:

S. No.	Particulars	Amount (₹)
1.	<i>Capital goods procured on 5th February 2026, (Rate of CGST and SGST @ 6% each) being intra State supply.</i>	2,00,000
2.	<i>Input A contained in finished goods stock held were procured on 13th February 2025 (Rate of IGST @18%) being inter-State supply.</i>	3,00,000

3.	Input B received on 10 th October, 2025 contained in semi-finished goods held in stock (Rate of CGST and SGST @ 2.5% each) being intra-State supply.	2,50,000
4.	Input C procured on 1 st February 2026 lying in stock of semi-finished goods (Rate of CGST and SGST @ 2.5% each) being intra-State supply.	1,50,000
5.	Input D procured on 8 th February 2026 lying in stock of finished goods (Rate of IGST @ 18%) being inter-State supply.	60,000

You are required to determine the eligible ITC available and amount of net minimum GST to be paid in cash by Vishnu Limited for the month of February 2026. All the amounts given in the question are excluding GST.

21. Kabira Industries (a proprietorship concern registered under GST) trades in taxable goods (other than the goods on which tax is payable as per rule 31D).

Details for the month of July 2026 are as follows:

S. No.	Particulars	Amount (₹)
1.	Total outward taxable supplies	53,00,000
2.	Total inward supplies	48,00,000
3.	Opening balance of electronic credit ledger	1,12,500

Additional information:

- Income tax paid by proprietor in financial year 2023-2024 and 2024-2025 was ₹ 90,000 and ₹ 1,20,000 respectively.
- Input tax credit refund on export supplies without payment of tax of ₹ 1,05,000 was received in FY 2024-2025 & ₹ 83,000 in FY 2025-2026.

3. Tax liability and tax payment in cash for last 3 months are:

Month	GST payable on outward supply under forward charge (₹)	GST paid through cash ledger (₹)
April 2026	3,60,000	5,500 (includes ₹ 1,000 RCM payment)
May 2026	3,20,000	5,000 (includes ₹ 500 RCM payment)
June 2026	4,20,000	4,000

4. Inward supplies mentioned above are eligible for Input Tax Credit (ITC).
5. All the conditions necessary for availing ITC have been complied with.
6. GST to be calculated at the rate of 18%. Bifurcation of CGST, SGST and IGST to be ignored.
7. All inward and outward supply figures are exclusive of GST.

Calculate maximum input tax credit (ITC) that can be utilized for payment of GST and net GST liability to be paid through electronic cash ledger for the month of July 2026 by Kabira Industries, considering the provisions of rule 86B.

22. SSP Ltd., a registered person under GST in Gandhinagar (Gujarat), is engaged in making various supplies of goods and services. It provides the following details regarding the transactions undertaken in the month of October:

Sr. No.	Outward transactions	Amount (₹)
(i)	Supply of goods to Mr. Kartik of Bharuch (Gujarat) who is an unregistered person. Out of supply of goods for ₹ 6,00,000, ₹ 1,00,000 is for exempted goods but no separate invoice has been made for exempt supply and both supplies were shown in the same invoice as different items.	6,00,000

(ii)	Issued voucher on 15 th October to AVC Ltd. of Kanpur (Uttar Pradesh) which can be redeemed against the combo of one personal pizza and one vegetable burger before 14 th November.	50,000
(iii)	Provided local delivery service of goods through M/s B-kart, a registered Electronic Commerce Operator (ECO), registered in the State of Gujarat.	10,50,000
(iv)	Stock transferred without consideration to branch of SSP Ltd. in Ahmedabad. Branch has a different GSTIN as it operates in a different segment. (The value of goods for such branch transfer can be taken as ₹ 3,50,000 as per Valuation Rules under the GST law)	-----
(v)	Provided pure labour services of construction of single commercial unit located in Rajasthan not forming part of any residential complex to a customer in Jaipur (Rajasthan).	6,00,000
	Inward transactions	Amount (₹)
(i)	Fees paid to CA Vijay Jain, a practicing Chartered Accountant of Mumbai, not registered under GST. (₹2,00,000 for the statutory audit and ₹25,000 for certification work)	2,25,000
(ii)	On 2 nd October, SSP Ltd. purchased taxable goods valued ₹ 15,00,000 from VXT Ltd., a registered person in State of Rajasthan. VXT Ltd. raised taxable invoice for ₹ 15,00,000. However, the SSP Ltd. paid only ₹ 14,50,000 to VXT Ltd. as full and final payment on 25 th October and the supplier VXT Ltd. issued a commercial/ financial credit note of ₹ 50,000 on the same date of payment.	15,00,000

Additional information:

- (i) SSP Ltd. paid ₹ 75,000 as monthly rent to its full-time director Mr. Rajan

Yadav, an unregistered person located in Ahmedabad (Gujarat) for using building owned by Mr. Rajan Yadav as Head Office of SSP Ltd. Mr. Rajan Yadav rented the building in his personal capacity.

- (ii) Accountant of SSP Ltd. is of the view that since local delivery service of goods is provided as Goods Transport Agency, it is exempt. He is also of the view that, even if the supply is considered taxable, SSP Ltd. is not required to pay tax, since M/s B-Kart is a registered Electronic Commerce Operator (ECO), and M/s B-Kart will pay the tax under the Reverse Charge Mechanism (RCM).*
- (iii) All the figures are exclusive of GST, wherever applicable.*
- (iv) All the conditions necessary for availing the input tax credit have been complied with and details of GST paid on inward supplies are available in Form GSTR 2B. There is an opening balance of CGST of ₹ 1,75,000 as input tax credit at the beginning of the month.*
- (v) Assume that all the inward supplies are used for outward taxable supplies only.*
- (vi) Turnover for the previous financial year was ₹ 290 lakh.*
- (vii) Wherever details for determination of place of supply are not given in the question, it shall be taken as intra-State transaction.*
- (viii) Assume the applicable rates of GST for all outward and inward supplies are IGST 18%, CGST 9% and SGST 9%.*

Compute the minimum net GST liability of SSP Ltd. to be paid in cash if any, for the month of October, after utilising input tax credit.

Note: Calculate GST for each point separately and legal explanations for each point should form part of the answer but detailed provision for place of supply is not required.

23. *M/s. Nivedita Private Limited is a manufacturer of televisions at Mohali, Punjab and has a service center at Bhatinda, Punjab. The company has taken a single registration of GST. It provides the following information for the month of November 2026:*

Sr. No.	Outward transactions	Amount (₹)
	Outward supply	
1.	Supply of televisions to M/s. Shine Electronics Ltd., located at Ludhiana, Punjab.	20,00,000
2.	Raw material transferred from Mohali to its service centre located at Bhatinda	1,80,000
3.	Received advance from M/s. New Electro Divine registered at Delhi for purchase of television	3,50,000
	M/s. New Electro Divine also undertook optional Annual Maintenance Charges (AMC) of television. It paid the AMC also in advance.	50,000
	Inward supply	Amount (₹)
1.	Purchase of raw material from M/s. Navrang Enterprises Pvt. Ltd. registered at Ludhiana, Punjab.	25,00,000
2.	Freight paid for transportation of television to a tempo owner registered as GTA at Mohali, Punjab. Tempo owner issued invoice without any GST.	50,000
3.	Paid rent of factory and service centre to Mr. Rakesh, who is an unregistered person	1,20,000
4.	Security services received from M/s. Safety-n-Security Services, sole proprietorship firm, registered under composition scheme at Jalandhar, Punjab.	25,000

M/s. Nivedita Private Limited provided the following additional information:

- (1) Purchase of raw materials includes the raw material of ₹ 1,20,000 which was purchased on 10-03-2026 but the invoices were uploaded in GSTR-1 on 18-11-2026 and such details have been communicated to the recipient in Form GSTR-2B.
- (2) Credit Note of ₹ 80,000 (excluding GST) was issued on 30-11-2026 to M/s. Shine Electronics Ltd. against invoice of ₹ 4,20,000 issued on 10-03-2025.

- (3) The annual returns for FY 2025-26 and FY 2024-25 were filed on 31-12-2026 and 31-12-2025.
- (4) Turnover of M/s. Nivedita Private Limited for FY 2025-26 was ₹ 160 lakh.
- (5) Rate of CGST, SGST and IGST is 2.5%, 2.5% and 5% in case of transporter and in other cases rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services.
- (6) All figures are exclusive of taxes wherever applicable.

From the information given above, you are required to compute the GST payable on outward supply, GST payable under reverse charge mechanism and input tax credit (ITC) available for the month of November 2026. Provide supporting explanatory notes for your conclusion wherever required.

24. Surya is engaged in providing a bouquet of goods and services including services of renting of cars. It is registered in Jaipur, Rajasthan. It provides the following information for the month of January:

S. No.	Particulars	Amount (₹)
(i)	Organised a business exhibition in Gujarat for Jignesh Industries, registered in Surat, Gujarat	20,00,000
(ii)	Provided accommodation services to 10 CA students (originally from outside Rajasthan) in a hostel – Surya Homes, owned by it. Surya Homes is located in Jaipur, Rajasthan. [Hostel accommodation charges are ₹ 22,000 per student per month. As per agreement, minimum period of stay of the students in hostel is 4 months.]	2,20,000
(iii)	Performed the carnatic music to promote a brand of readymade garments – Rigley Garments, registered in Udaipur, Rajasthan.	1,45,000
(iv)	Intra-State services provided as a business correspondent of Manimani Bank, registered in	1,20,000

	<i>Rajasthan, with respect to accounts in its Jaipur city branch.</i>	
(v)	<i>Rented a commercial property in Jaipur, Rajasthan to Ganga Ltd., a supplier of goods and services registered in Jodhpur, Rajasthan. Surya is a director in Ganga Ltd.</i>	<i>3,00,000</i>
(vi)	<i>Sponsored a Business Summit organized in Bikaner, Rajasthan, by Associated Chamber of Commerce and paid a sponsorship fee of ₹ 5,00,000 to Associated Chamber of Commerce, registered in Jaipur, Rajasthan.</i>	
(vii)	<i>Received the services of transportation of goods by road from Sindhu Transporters, an unregistered Goods Transport Agency of Jodhpur, Rajasthan.</i>	<i>2,00,000</i>
(viii)	<i>Taken cars on rental basis from Ajay Limited, registered in Jodhpur, Rajasthan.</i>	<i>1,50,000</i>

Notes:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of goods and services except the car rental service and service of transportation of goods by GTA, on which the rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively.
- (ii) All the amounts given above are exclusive of taxes, wherever applicable.
- (iii) There was no opening balance of the ITC for the relevant period.

From the information given above, you are required to compute the minimum net GST liability payable in cash (CGST, SGST or IGST, as the case may be) for the month of January for Surya.

25. Craftmodel Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies. It is not engaged in renting of cars business. The company provided the following details for the month of January.

Sl. No.	Particulars			Amount in ₹												
(i)	Outward supply of goods made during the month to various non-related persons: <table><tr><td></td><td>Particulars</td><td>Market value (₹)</td><td>Transaction Value (₹)</td></tr><tr><td>a.</td><td>in the State of Bihar</td><td>3,00,000</td><td>4,00,000</td></tr><tr><td>b.</td><td>to other States</td><td>7,50,000</td><td>6,00,000</td></tr></table>				Particulars	Market value (₹)	Transaction Value (₹)	a.	in the State of Bihar	3,00,000	4,00,000	b.	to other States	7,50,000	6,00,000	As given in particulars column
	Particulars	Market value (₹)	Transaction Value (₹)													
a.	in the State of Bihar	3,00,000	4,00,000													
b.	to other States	7,50,000	6,00,000													
(ii)	The company pledged its 5% equity shares to the merchant banker for the purpose of proposed initial public offer.															
(iii)	Stock transfer of goods worth ₹ 58,000 without consideration to its branch at Gaya (Bihar). Branch has been declared as an additional place of business in the registration certificate.															
(iv)	Intra-State inward supply of various services for use in the course or furtherance of business (30 invoices). Out of 30 invoices, details of 10 invoices amounting to ₹ 2,50,000 were not furnished by the suppliers in their GSTR-1s and resultantly, were not reflected in Craftmodel Limited's GSTR-2B of the month.			12,00,000												
(v)	Outward supply of services of milling of paddy into rice (Intra-State)			2,00,000												
(vi)	Outward supply of services of giving trucks on hire to a Governmental authority (Intra-State)			1,50,000												
(vii)	Amount paid to IIM Ahmedabad, Gujarat for providing 15 days' management training to 10 managers from			5,00,000												

	10 th January. The IIM provided Participation Certificates at the end of the training program.	
(viii)	Purchased air tickets for its employees from Patna to Guwahati, Assam airport in economy class. Total fare was ₹ 1,00,000, out of which basic fare was ₹ 80,000.	

Additional Information:

- (a) All the amounts given above are exclusive of taxes, wherever applicable.
- (b) During the course of arranging and filing documents, the accountant of Craftmodel Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 2nd December (of previous calendar year) was omitted to be recorded in the books of accounts and no payment was made against the same till the end of January. This invoice was issued by Mr. Rahul of Patna, from whom Craftmodel Limited had taken cars on rental basis. Invoice included cost of fuel also.
- (c) Regarding pledging of shares, the face value of shares is ₹ 5,00,000. The market value of shares is ₹ 8,00,000.
- (d) Rate of GST applicable on various supplies are as follows:

Nature of supply	CGST	SGST	IGST
Car rental service	2.5%	2.5%	5%
Transportation of passengers by air	2.5%	2.5%	5%
All other inward and outward supplies	9%	9%	18%

- (e) No opening balance of input tax credit exists in the beginning of the relevant tax period.
- (f) Subject to the information given above, conditions necessary for claiming ITC were complied with.

From the information given above, you are required to compute the GST payable on outward supply and input tax credit (ITC) available for the month of January. Provide supporting explanatory notes for your conclusion wherever required.

26. Mr. Sagar Chaturvedi, registered under GST, is engaged in supplying multiple services (as discussed in the table below) in Mumbai, Maharashtra. He has furnished the following information with respect to the services supplied and received by him, during the month of April:

S. No.	Particulars	Amount (₹)
(i)	Services of transportation of students provided to Sanskar College offering the degree courses recognized by law.	90,000
(ii)	Outward supply of services of milling of paddy into rice	1,80,000
(iii)	Received the services by way of transportation of goods by road from Sindhu Transporters, an unregistered Goods Transport Agency of Nagpur, Maharashtra.	2,00,000
(iv)	Organized a business exhibition in Gujarat for Ramesh Industries, registered in Delhi.	20,00,000
(v)	Provided training at his Mumbai Office to employees of Aashiyana Interiors (not registered under GST), a proprietorship concern of Rajasthan.	1,00,000
(vi)	Recovery agent's services provided to a car dealer	30,000
(vii)	Legal services availed for official purpose from an individual advocate located in Gujarat	1,60,000
(viii)	Sponsored a Cricket Match, organized by Mumbai Cricket Association, Maharashtra wherein he paid an amount of ₹ 1,50,000 to the association.	

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supply of services except the service of transportation of goods by GTA, on which the rates of CGST, SGST and IGST are 2.5%, 2.5% and 5% respectively.

- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Sagar was ₹ 1.8 crore in the previous financial year.
- (v) All the above mentioned supplies are intra-State, wherever the information for determining the place of supply is not provided.

Compute the net GST payable in cash, by Sagar for the month of April.

27. Mr. Prithviraj, registered under GST, is engaged in supplying services (as discussed in the table below) in Maharashtra. He has furnished the following information with respect to the services provided/ received by him, during the month of February:

S. No.	Particulars	Amount (₹)
(i)	Carnatic music performance given by Mr. Prithviraj to promote a brand of readymade garments (Intra-State transaction)	1,40,000
(ii)	Outdoor catering services availed for a marketing event organised for his prospective customers (Intra-State transaction)	50,000
(iii)	Services of transportation of students provided to Subhaskar College providing education as part of a curriculum for obtaining a recognised qualification (Intra-State transaction)	1,00,000
(iv)	Legal services availed for official purpose from an advocate located in Gujarat (Inter-State transaction)	1,75,000
(v)	Services provided to Wealth Bank as a business correspondent with respect to accounts in a branch of the bank located in urban area (Intra-State transaction)	2,00,000
(vi)	Recovery agent's services provided to a manufacturer (Intra-State transaction)	15,000
(vii)	General insurance taken on a car (seating capacity 5) used for official purposes (Intra-State transaction)	40,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Mr. Prithviraj was ₹ 2.5 crore in the previous financial year.

Compute the net GST payable in cash, by Mr. Prithviraj for the month of February.

28. Neelkanth Pvt. Ltd., a registered supplier of goods and services at Kolkata, has furnished the following information for the month of February:

S. No.	Particulars	Amount (₹)
(i)	Intra-State supply of taxable goods to Bhaskar Enterprises (₹ 1,00,000 were received as advance in January). Invoice for the entire sale value is issued on 15 th February	4,00,000
(ii)	Purchase of goods from a composition dealer, registered in Kolkata	5,50,000
(iii)	Services provided by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex (Intra-State transaction)	1,00,000
(iv)	Membership of a club availed for employees working in the factory (Intra-State transaction)	1,75,000
(v)	Goods transport services received from a GTA. GST is payable @5% (Inter-State transaction) GTA has not opted to pay GST.	2,00,000
(vi)	Inter-State services provided by way of training in recreational activities relating to sports	10,000

(vii)	Inter-State security services provided to ABC higher secondary school for their annual day function organised in Fintex Auditorium outside the School campus	15,000
(vii)	Inputs to be received in 4 lots, out of which 2 nd lot was received during the month	40,000

The company has following ITCs with it at the beginning of the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	Nil
IGST	50,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) The turnover of Neelkanth Pvt. Ltd. was ₹ 2.5 crore in the previous financial year.

Compute the minimum GST, payable in cash, by Neelkanth Pvt. Ltd. for the month of February. Make suitable assumptions as required.

29. Chill Ltd., Delhi, a registered supplier, is engaged in manufacturing machinery. It has made a taxable supply of machinery during the month of March. It furnished the following details for each such machinery supplied: -

S. No.	Particulars	Amount (₹)
(i)	List price of machinery (exclusive of taxes)	10,00,000
(ii)	Subsidy received from the Central Government for supply of machinery to Government School	2,10,000

	(exclusively related to supply of machinery included at S. No. 1)	
(iii)	Price linked subsidy received from an NGO (exclusively related to supply of goods included at S. No. 1)	2,00,000
(iv)	Tax levied by Municipal Authority	2,50,000
(v)	Packing charges	1,25,000

Additional information:-

The list price of the machinery is after considering the two subsidies received. However, the other charges/taxes/fee are charged to the customers over and above the list price.

Further, the company has provided the following information pertaining to purchases made/services availed by it in respect of supply of said machinery during the month of March:

S. No	Particulars	GST (₹)
(1)	Raw material (to be received in the month of April)	8,50,000
(2)	Membership of a club availed for employees working in the factory (not obligatory to be provided under any law)	4,00,000
(3)	Inputs to be received in 6 monthly lots, out of which 1 st lot was received during the month	3,50,000
(4)	Trucks used for transport of raw material	1,50,000
(5)	Capital goods (out of 3 items, invoice for 2 items is missing and GST paid on those items is ₹ 2,82,000)	3,50,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing the ITC have been fulfilled, subject to the information given above.

(iv) All inward and outward supplies are inter-State supplies.

(v) There is no opening balance of ITC available.

Compute the net GST payable in cash, by Chill Ltd. for the month of March.

30. Mr. Karan, a registered supplier in Kochi (Kerala State) has provided the following information of supply received/made during the month of February:

S. No.	Particulars	Amount (₹)
(i)	On 5 th February, supplied goods to Jaara Enterprises, an unregistered partnership firm in Bikaner, Rajasthan. Discount of 10% offered to Jaara Enterprises on this invoice price of ₹ 2,00,000 as per pre agreement but not recorded in the invoice. Discount given for this invoice by way of credit note on 28 th February.	2,00,000
(ii)	Made a supply of machinery to Cool & Co. registered in the State of Kerala. The machinery was installed at factory site of Cool & Co. in the State of Tamil Nadu as per agreement.	6,00,000
(iii)	Provided supply of online educational journals on monthly basis to St. Peters High School, situated in the State of Kerala.	25,000
(iv)	Provided renting of his own commercial property situated at Thrissur (Kerala) to Safe Volt Limited of Kerala, in which he is an independent director.	70,000
(v)	Supplied a consignment of goods to Rasool Tea Estate situated at Munnar (Kerala).	2,00,000
(vi)	Payment made to Mr. Manish, a contractor of Bengaluru for construction of staff quarters within the factory premises at Kochi. Staff quarters are capitalised in the books and no depreciation is charged.	1,25,000

Mr. Karan provided the following additional information:

- (i) In respect of supply made to Munnar, being a hill station, local levy of Green tax of ₹ 10,000 was charged by Mr. Karan in the invoice made to Rasool Tea Estate.
- (ii) Mr. Karan was advised by his accountant that since he is a director in the company to whom he let out his property, GST is to be paid by the company under Reverse Charge Mechanism [RCM].
- (iii) Assume rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies of goods and services, except where otherwise provided.
- (iv) All the amount given above in the table are exclusive of GST and Green Tax or any other tax wherever applicable.
- (vi) Subject to the information given above, conditions for availing ITC have been complied with.
- (vii) All the inward and outward supplies to be considered in the course of intra-State except where information provided to determine the place of supply.
- (viii) Assume all the inward supplies used for the taxable outward supplies only.
- (ix) There was opening balance of Input Tax Credit (ITC) of ₹ 1,50,000 of IGST and ₹ 30,000 of CGST and Nil of SGST.

From the information given above, you are required to compute the net minimum GST liability payable in cash after deduction of ITC by Mr. Karan for the month of February.

Note: Correct relevant legal provision and individual tax amount (if any) for each item should form part of your answer.

31. Zeon Ltd., a GST registered supplier located in Ranchi, Jharkhand, is engaged in the manufacturing of washing machines & mixer grinders. It provides you the details of various activities undertaken during the month of September as follows:

Sl. No.	Particulars	Amount (₹)
(i)	Outward supplies made during the month	29,00,000
	a. Within Jharkhand	₹ 24,00,000
	b. Outside Jharkhand	₹ 5,00,000
(ii)	Purchase of raw materials from registered dealers within Jharkhand which includes materials worth ₹ 2,00,000 purchased from Mr. Krishna, a registered person who is paying tax under composition scheme.	7,00,000
(iii)	Bus purchased from a registered dealer in Tatanagar, Jharkhand. Bus used to ferry its 25 workers to and from factory.	12,00,000

Opening balances of input tax credit for the relevant tax period were as follows:

CGST (₹)	SGST (₹)	IGST (₹)
20,000	5,000	95,000

Note:

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Both inward & outward supplies within the State of Jharkhand are to be considered intra-State supplies and outside the State of Jharkhand are inter-State supplies.
- (iii) Subject to information given above, all the other conditions necessary for availing ITC have been fulfilled.
- (iv) Assume rate of CGST, SGST and IGST are 9%, 9% and 18% respectively for both inward and outward supplies of goods and services, except where otherwise provided.

Calculate the amount of minimum net GST payable in cash by Zeon Ltd. for the month of September so as to keep SGST liability to minimum.

Brief and suitable notes should form part of your answer.

32. Ajay Limited, a registered dealer in Patna (Bihar), is engaged in various types of supplies (other than renting of cars). The company provided the following details for the month of January:

Sl. No.	Particulars	Amount in ₹												
(i)	Outward supply of goods made during the month to various non-related persons: <table><tr><th></th><th>Particulars</th><th>Market value</th><th>Transaction Value (₹)</th></tr><tr><td>a.</td><td>in the State of Bihar</td><td>3,00,000</td><td>4,00,000</td></tr><tr><td>b.</td><td>to other States</td><td>2,00,000</td><td>1,00,000</td></tr></table>		Particulars	Market value	Transaction Value (₹)	a.	in the State of Bihar	3,00,000	4,00,000	b.	to other States	2,00,000	1,00,000	As given in particulars column
	Particulars	Market value	Transaction Value (₹)											
a.	in the State of Bihar	3,00,000	4,00,000											
b.	to other States	2,00,000	1,00,000											
(ii)	Services provided to the State Government of Karnataka for conducting a computer training programme for its employees. 60% of total expenditure incurred for the said programme was borne by the State Govt. (Inter-State transaction)	5,00,000												
(iii)	Stock transfer without consideration to its branch at Gaya (Bihar). Branch has separate GSTIN for convenience of accounting and billing. Value under section 15 - ₹ 20,000 (Intra -State)	Nil												
(iv)	Intra - State inward supply of various services for use in the course or furtherance of business (30 invoices)	6,50,000												

Additional Information:

- (a) All the amounts given above are exclusive of taxes.
- (b) During the course of arranging and filing documents, the accountant of Ajay Limited observed that an invoice for ₹ 30,000 (excluding tax) dated 2nd December of preceding calendar year was omitted to be recorded in the books of accounts and no payment was made against the same till

the end of January. This invoice was issued by Mr. Mukesh of Patna, from whom Ajay Limited had taken cars on rental basis. Invoice included cost of fuel also. (Intra-State transaction).

- (c) Rate of GST applicable on various supplies are as follows:

Nature of supply	CGST	SGST	IGST
Car rental service	2.5%	2.5%	5%
All other inward and outward supplies	9%	9%	18%

- (d) No opening balance of input tax credit exists at the beginning of the month.
- (e) Out of the 30 invoices of inward supply received, 6 invoices with taxable value amounting to ₹ 1,50,000 were not reflected in GSTR 2B for the month of January since the suppliers had not filed their GSTR-1.
- (f) Subject to the information given above, conditions necessary for claiming ITC were complied with.

You are required to calculate the amount of net GST liability payable in cash by Ajay Limited for the month of January. Brief notes for treatment given for each item should form part of your answer.

33. Paritosh & Co., a supplier of goods, pays GST under regular scheme. It has made the following outward taxable supplies in a tax period:

Particulars	Amount (₹)
Intra-State supply of goods	10,00,000
Inter-State supply of goods	8,00,000

It has also furnished the following information in respect of purchases made by it in that tax period:

Particulars	Amount (₹)
Intra-State purchases of goods	3,00,000
Inter-State purchases of goods	2,50,000

Paritosh & Co. has following opening balance of ITCs for the tax period:

Particulars	Amount (₹)
CGST	57,000
SGST	60,000
IGST	1,40,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) Both inward and outward supplies are exclusive of taxes, wherever applicable.
- (iii) All the conditions necessary for availing ITC have been fulfilled.

Compute the minimum GST, payable in cash, by Paritosh & Co. for the tax period and the ITC to be carried forward to the next month. Make suitable assumptions as required.

34. MLM Private Limited, a registered person in Udaipur, Rajasthan engaged in various lines of business, provided the following details regarding the transactions undertook in the month of March:

Outward Transactions	Amount (₹)
Advance received from Mr. Gokul for business support services to be supplied in the month of April.	2,00,000
Provided commissioning services under pure labour contract to M/s Raj Builders of Jaipur, Rajasthan for multi-storeyed residential complex.	5,00,000
Stock transferred without consideration to its branch in Jodhpur, Rajasthan. Branch has same GSTIN.	1,25,000

Outward sale of goods to various unrelated persons:			As provided in the column
Particulars	Market Value (₹)	Transaction Value (₹)	
Intra-State	5,00,000	5,75,000	
Inward Transactions			Amount (₹)
Received car rental services from Carman Private Limited, an unregistered company in Udaipur engaged in car renting services. MLM Private Limited paid rent on monthly basis (Cost of fuel also included in the monthly rent).			1,20,000
Intra-State inward supply of various goods and services for use in the course or furtherance of business.			7,50,000 [Goods] 2,50,000 [Services]

Additional Information

- (i) The company paid ₹ 50,000 to Mr. Ajay, an independent director, as sitting fees.
- (ii) The company made donation of ₹ 4,50,000 to a local old age home (a trust not registered under GST) for setting a water cooler at old age home with the name of company embedded on the water cooler to express their support for the good cause.
- (iii) All the figures are exclusive of GST.
- (iv) All inward and outward supplies are intra-State except where otherwise stated.
- (v) Subject to information given above, all the conditions necessary for availing the ITC have been fulfilled.

(vi) Rates of GST are given below except where otherwise stated:

Particulars	CGST	SGST	IGST
Supply of goods	2.5%	2.5%	5%
Supply of services	9%	9%	18%

Calculate the net GST payable in cash by MLM Private Limited for the month of March. Support your calculations with relevant reasons.

35. Evershine Pvt. Ltd., a GST registered supplier located in Jaipur, Rajasthan is engaged in taxable supply of packaging goods and consultancy services. It provides following details of various activities undertaken during the month of September:

(A) Details of outward supplies:

- (1) Supply of goods of ₹ 18,00,000 to Vaidehi Enterprises, a registered person of Udaipur, Rajasthan. Further, received ₹ 50,000 from Vaidehi Enterprises towards freight charges (as agreed to deliver the goods at Vaidehi Enterprises' premises) which was not included in above value of supply.
- (2) Supply of goods worth ₹ 35,00,000 to Calc. Exim, a registered person of Prayagraj, Uttar Pradesh. Further, the amount of ₹ 60,000 charged separately (not included above) from Calc. Exim on account of municipal taxes levied in relation to such outward supply.
- (3) Supply of services to Sunshine Ltd., a registered person in Jodhpur, Rajasthan before discount worth ₹ 6,00,000. Further, discount of ₹ 30,000 which has been given at the time of supply of service and duly recorded in the invoice.
- (4) It delivered the goods worth ₹ 2,00,000 to Jeevan Solutions, a registered person located at Bikaner, Rajasthan on the direction of Raghu Enterprise, a registered person of Mumbai, Maharashtra and tax invoice was issued by Evershine Pvt. Ltd. to Raghu Enterprise of Mumbai, Maharashtra.

(B) Details of inward supplies:

- (1) Purchased raw material goods worth ₹ 20,00,000 from PQR Ltd; a GST registered dealer, located at Kanpur, Uttar Pradesh. Goods worth ₹ 1,00,000 out of total purchases were not received during the month.
- (2) Purchased machinery for manufacturing process worth ₹ 2,00,000 from MPQ Pvt. Ltd., a GST registered dealer, located at Bengaluru, Karnataka. Company has claimed depreciation under Income-tax Act, 1961 on full value of the machine, including the GST component.
- (3) Purchased truck worth ₹ 15,00,000 from GST registered dealer, located at Ajmer, Rajasthan for transportation of its goods. GST rate on truck is: CGST 9%, SGST 9%, IGST 18%. No depreciation is claimed under Income-tax Act, 1961 on the GST component.
- (4) Purchased car (having seating capacity of 7 persons) costing to ₹ 10,00,000 excluding GST from Mihir Automobiles Pvt. Ltd., a GST registered dealer, located at Ajmer, Rajasthan for use of its director for official purpose. GST rate on car: CGST 9%, SGST 9%, IGST 18%.
- (5) Purchased goods worth ₹ 5,00,000 from DEF Buildwell Pvt. Ltd., a registered person of Jaipur, Rajasthan for construction of an additional floor of factory building, of Evershine Pvt. Ltd. Said amount is capitalised in the books of accounts.

Opening balance of input tax credit as on the beginning of September - CGST ₹ 20,000, SGST ₹ 50,000 and IGST ₹ 75,000.

Rate of GST applicable on both inward and outward supply of goods & services: CGST 9%, SGST 9% and IGST 18%, except where otherwise provided.

Notes:

- (i) All the figures mentioned above are exclusive of taxes.
- (ii) Subject to the information given above, conditions necessary for claiming ITC were complied with.
- (iii) All inward supplies are used for taxable goods only.

(iv) Brief and suitable notes should form part of your answer.

Calculate the amount of net minimum GST payable in cash by Evershine Pvt. Ltd. for the month of September.

36. Miss Nitya, proprietor of M/s. Honest Enterprise, a registered supplier of taxable goods and services in the State of West Bengal, pays GST under regular scheme. It is not eligible for any threshold exemption. It provided the following information for the month of December:

S. No.	Particulars	Amount (₹)
	<u>OUTWARD SUPPLY</u>	
i.	Intra-state supply of goods to M/s. Natural & Sons	7,00,000
ii.	Intra-State transfer of goods to its branch office in the state of West Bengal. Both places are under the same GSTIN.	1,00,000
iii.	Advance received for future supply of management consultancy service to Mr. Sharad (Intra-State supply)	40,000
	<u>INWARD SUPPLY: (Intra-state)</u>	
i.	Purchase of taxable goods from registered suppliers.	8,00,000
ii.	Availed works contract service for repair of office building. Amount of repair was debited in the profit & loss account.	30,000
iii.	Availed legal service form an advocate to represent the matter in the Court relating to collection of disputed proceed from customers.	50,000

Notes:

(i) Rate of CGST, SGST and IGST on all supplies are as below:

Particulars	CGST	SGST	IGST
Goods	2.5%	2.5%	5%
Supply of services	9%	9%	18%

(ii) Both inward and outward supplies given above are exclusive of taxes.

(iii) All the conditions necessary for availing the ITC have been fulfilled.

(iv) Working note should form part of the answer.

(v) Aggregate turnover of M/s. Honest Enterprise in preceding financial year is ₹50 lakh.

Compute the minimum net GST payable in cash by M/s. Honest Enterprise for the month of December.

37. M/s Cute & Co., a partnership firm, registered supplier under GST in Bengaluru (Karnataka State), has provided the following information for the month of October:

Details of transactions	Amount (₹)
Intra-State taxable supply of Direct Selling Agent (DSA) service to public sector Bank.	2,50,000
Rent paid to a residential dwelling taken for running an office for providing DSA services; Owner of the residential property was not registered under GST; This is an intra-State supply availed;	25,000
Purchased a car for the official use of managing partners of the firm for business use (Inter-State purchase)	9,00,000
Availed information technology services for their business from Partner's friend Mr Allan Waugh from Melbourne, Australia.	Nil

Mr. Waugh refused to take any consideration. Open Market value of said service was ₹ 1,25,000. (Inter-State transactions)	
Provided training and performance appraisal services in Bengaluru to following person:	
(a) ABC Private Limited, a registered supplier in the State of Kerala	3,00,000
(b) Babu Cones, a proprietorship concern of Rajasthan, which was not registered under GST	1,00,000

Note:

- (i) Rates of CGST, SGST and IGST are 9%, 9% and 18% respectively.
- (ii) All the amounts given above are exclusive of taxes.
- (iii) All the conditions necessary for availing the ITC have been fulfilled.
- (iv) There was no opening balance of any input tax credit.
- (v) The turnover of M/s Cute & Co was ₹ 2 crore in the previous financial year.

Compute the net GST payable in cash, by M/s Cute & Co. for the month of October. Correct legal provisions should form part of your answer.

38. Mascot Motors Private Limited (hereinafter referred as MMPL), a dealer of motor vehicles, registered in Udaipur, Rajasthan, has given an ex-works contract to M/s Ganesh Traders, registered in Ahmedabad, Gujarat for manufacturing 10 units of Pick-Up vans.

M/s Ganesh Traders manufactured the vans and handed them over to transporter on behalf of MMPL on 29th April and delivery on its part is complete at its factory gate in Ahmedabad.

Further, it raised the invoice for all ten Pick-Up vans on same day. MMPL has recorded the invoice in its books on the same day.

Price of the vans (ex-factory) was ₹ 10 lakh each (excluding GST @ 28%).

However, the vans were physically received by MMPL at its showroom in Udaipur, Rajasthan on 2nd May and payment was also made on the same day. After the

payment, two Vans got damaged completely in a fire in the showroom in first week of May and therefore, they were written off in the books in the month of receipt by MMPL.

Discuss the availability of ITC on pick-up vans to MMPL with reference to the provisions under GST law. In which month, MMPL is eligible to avail ITC on the purchase of vans and how much ITC is available in respect of the vans?

ANSWERS

1. Input tax means the central tax (CGST), State tax (SGST), integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and integrated goods and services tax charged on import of goods. It does not include tax paid under composition levy.
2. Following conditions are to be satisfied by the registered taxable person for obtaining ITC:
 - (a) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed;
 - (aa) the details of the invoice or debit note referred above has been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient of such invoice or debit note in the manner specified under section 37;
 - (b) he has received the goods or services or both;
 - (ba) the details of input tax credit in respect of the said supply communicated to such registered person under section 38 has not been restricted
 - (c) subject to section 41, the supplier has actually paid the tax charged in respect of the supply to the Government; and
 - (d) he has furnished the return under section 39.
3. Yes, the recipient can take ITC. However, he is required to pay the amount towards value of supply along with tax within 180 days from the date of issue of invoice. This condition is not applicable where tax is payable on reverse charge basis.

4. Refer point (vi) "Time limit for availing ITC: 30th November of succeeding financial year to which such invoice or debit note pertains or date of filing of relevant annual return, whichever is earlier" under Heading No. 3 "Eligibility and Conditions for Taking Input Tax Credit [Section 16]".
5.
 - (i) A person who has applied for registration within 30 days from the date on which he became liable to registration, can take ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.
 - (ii) In case of voluntary registration, ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of registration can be taken.
6. In case of supply of capital goods or plant and machinery on which ITC has been taken, the registered person shall pay an amount equal to the ITC taken on the said capital goods or plant and machinery reduced by 5% per quarter or part thereof from the date of invoice or the tax on the transaction value of such capital goods or plant and machinery, whichever is higher.

However, in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

7. As per section 18(3), in case of sale, merger, demerger, amalgamation, transfer or change in ownership of business etc., the ITC that remains unutilized in the electronic credit ledger of the registered person can be transferred to the new entity, provided there is a specific provision for transfer of liabilities to the new entity.

The registered person should furnish the details of change in constitution on the common portal and submit a certificate from practicing Chartered Account/Cost Accountant certifying that the change in constitution has been done with a specific provision for transfer of liabilities. Upon acceptance of such details by the transferee on the common portal, the unutilized ITC gets credited to his electronic credit ledger. The transferee should duly account for the inputs and capital goods so transferred in his books of account.

8. As per section 16(3), if the person taking the ITC on capital goods and plant and machinery has claimed depreciation on the tax component of the cost of

the said items under the Income-tax Act 1961, the ITC on the said tax component shall not be allowed.

Since in the given case, Swastik Pvt. Ltd. has claimed depreciation on the tax component of the cost of the machine, it cannot claim ITC of IGST of ₹ 14,400 paid by it on the machine. It can either claim depreciation on the tax component or avail ITC of such tax but cannot avail both the benefits simultaneously.

- 9. (i)** No. Vibrant InfoTech Pvt. Ltd. cannot avail ITC on the motor cars purchased for its Executive Directors. Under section 17(5)(a) of the CGST Act, 2017, input tax credit is blocked in respect of motor vehicles used for transportation of persons, having an approved seating capacity of up to 13 persons (including the driver), except where such motor vehicles are used for making following taxable supplies, namely:
- (A) further supply of such motor vehicles,
 - (B) transportation of passengers, or
 - (C) imparting training on driving such motor vehicles.

Since Vibrant InfoTech Pvt. Ltd. is engaged in the business of information technology services and the car is used only for the official commutation of its Executive Directors, none of these exceptions applies and the ITC of ₹ 90,000 is accordingly blocked.

- (ii)** Yes. ITC of ₹ 1,62,000 on the delivery van is available since the blocked-credit restriction under section 17(5)(a) applies only to motor vehicles used for transportation of persons; motor vehicles used for transportation of goods are outside its scope and are eligible for credit in the ordinary course, subject to fulfilment of the conditions under section 16.
- 10.** ITC is disallowed only to the extent it pertains to supplies used for non-business purposes or supplies other than taxable and zero-rated supplies. Supplies to SEZ units for authorised operations are zero rated supplies in terms of section 16(1) of the IGST Act. Thus, full ITC is allowed on inward supplies of BMT Ltd. used for effecting supplies to the unit in the SEZ for authorised operations.

11. 'AB' is eligible for ITC on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods as on 30th July. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.
12. Since the exemption available on goods being supplied by Babla Enterprises, an unregistered person, gets withdrawn, it becomes liable to registration as its turnover had crossed the threshold limit on the day when the exemption is withdrawn.

Assuming that Babla Enterprises applies for registration within 30 days of 1st October and it obtains such registration, it will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date from which it becomes liable to pay tax, i.e. 30th September [Section 18(1)(a)]. Input tax paid on capital goods will not be available as ITC in this case.

13. If the exempt supply made by a registered person becomes a taxable supply, provisions of section 18(1)(d) become applicable. In the given case, since Mamta Trade Links is a registered person, section 18(1)(d) will be applicable.

As per section 18(1)(d), Mamta Trade Links will be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock relatable to such exempt supply and on capital goods exclusively used for such exempt supply on the day immediately preceding the date from which such supply becomes taxable, i.e. 30th September. ITC on capital goods will be reduced by 5% per quarter or part thereof from the date of invoice.

14. **Computation of ITC that can be availed by Harshgeet Pvt. Ltd. for the month of July:**

Particulars	ITC (₹)
Raw Material [ITC not available as raw material is not received in July]	Nil
Membership of a club availed for employees working in the factory (not obligatory to be provided under any law) [Blocked credit in terms of section 17(5)]	Nil

Inputs to be received in 5 lots, out of which 3 rd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally]	40,000
Capital goods [ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. ₹ 80,000, is not available.]	70,000
Total ITC	1,10,000

15. Computation of ITC that can be availed by Jamku Ltd. for the month of October

Particulars	ITC (₹)
Purchase of raw spices which are sold to customers [Every registered person is entitled to take credit of input tax charged on any supply of goods to him which are used or intended to be used in the course or furtherance of his business.]	50,000
Purchase of raw spices for personal use of directors [ITC is not available on goods used for personal consumption.]	Nil
Electric machinery purchased for being used in the manufacturing process [Every registered person is entitled to take credit of input tax charged on any supply of goods to him which are used or intended to be used in the course or furtherance of his business.]	25,000
Motor vehicle used for transportation of employee [ITC on motor vehicles for transportation of persons with seating capacity ≤ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable	Nil

supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. In the given case, since the supplier is in the business of spices, ITC on a 6 seater motor vehicle used for transportation of employees is blocked credit.]	
Payment made to a contractor for construction of staff quarters [ITC is not available for works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service]	Nil
Total ITC	75,000

16. Computation of ITC that can be availed by Dina Ltd. for the month of March:

Particulars	ITC (₹)
Purchase of iron used as a raw material [When inputs are received in lots, ITC can be availed only on the receipt of last lot. Hence, since last lot is received in April, ITC cannot be availed in March.]	Nil
Purchase of accessories delivered directly to the dealers of the company [Goods delivered to another person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. Thus, ITC is available to the registered person, on whose order/direction the goods are delivered to a third person.]	90,000
Bus for the transportation of employees [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,97,000

General insurance taken on car (seating capacity 5) used by executives of the company for official purpose [ITC on motor vehicles for transportation of persons with seating capacity $\leq$ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles. Since, the car is not used for any of the eligible purposes, ITC thereon is blocked and thus, ITC on general insurance taken on such car is also blocked.]	Nil
Total ITC	2,87,000

17. Every registered person is entitled to take credit of input tax charged on any supply of goods and/or services which are used or intended to be used in the course or furtherance of his business if, *inter alia*, he is in possession of a tax invoice issued by a supplier and he has received the goods and/or services.

The registered person must pay to the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. In the event of failure to do so, the corresponding credits availed by the registered person would be required to be reversed or paid by such person alongwith interest. However, once the recipient makes the payment of value of goods and/or services along with tax, he will be entitled to avail the credit again without any time limit. In case part-payment has been made, proportionate credit would be allowed.

In the given case, High-fi Infotech (P) Ltd. provides the service in the month of October and Comfortable (P) Ltd. receives the invoice in the month of November. Therefore, in view of the above provisions and assuming all other conditions required for availing ITC having been fulfilled, ITC of ₹ 1,98,000 (₹ 11,00,000 x 18%) will be availed by Comfortable (P) Ltd. for the month of November when it receives the invoice issued by High-fi Infotech (P) Ltd.

However, proportionate ITC amounting to ₹1,33,932 $\Rightarrow$ [(₹ 12,98,000 - ₹ 4,20,000)/118] $\times$ 18] will be reversed in GSTR-3B of Comfortable (P) Ltd. for May month, to be paid along with interest thereon, as full payment has not been made within 180 days of issuance of the invoice, i.e. by 4th May of next F.Y. ITC of ₹ 1,33,932 can, however, be availed again by Comfortable (P) Ltd. for the month of July next F.Y. when it makes the balance payment to High-Fi Infotech (P) Ltd.

- 18.** One of the conditions for availing ITC is that the registered person taking the ITC must have received the goods and / or services. However, goods delivered to a third person on the direction of the registered person by way of transfer of documents of title or otherwise, either before or during the movement, are deemed to have been received by such registered person. So, ITC is available to the registered person, on whose direction the goods are delivered to a third person even though the registered person does not receive the goods by itself.

In the given case, goods have been delivered by M/s. Karim & Bros. (supplier) to Shubhkamna Sales (third person) on the direction of M/s. Diwan & Sons (registered person). Therefore, in view of the above provisions, ITC of ₹ 2,250 (₹50 $\times$ 250 $\times$ 18%) will be available to M/s. Diwan & Sons (registered person) on the purchase of 250 kg of plastic granules @ 50 per kg.

Further, in this case there is another supply between Diwan & Sons (supplier) and Shubhkamna Sales (recipient). Therefore, Shubhkamna Sales can avail ITC of ₹ 2,700 (₹ 60 $\times$ 250 $\times$ 18%) on the purchase of 250 kg of plastic granules @ 60 per kg.

19. Computation of net ITC available to M/s Poorvi Ltd. for August

	Particulars	₹
1.	Goods used for activities related to corporate social responsibility [ITC in respect of goods used for activities relating to obligations under corporate social responsibility (CSR) is not available under section 17 of the CGST Act, 2017 as the same is blocked.]	-
2.	Raw material purchased in lots	-

	[When goods are received in lots, ITC can be taken only upon receipt of the last lot].	
3.	Outdoor catering expenses [ITC on outdoor catering services is blocked as ITC is not available under section 17 since such services are being provided by employer to employee without any statutory obligation.]	-
4.	Goods purchased from M/s Om Traders [2,00,000 – 50,000] [ITC can be availed only if the details of the invoice have been furnished by the supplier in Statement of outward supplies or GSTR-1 OR using Invoice Furnishing Facility (IFF). Thus, ITC of GST amounting to ₹ 50,000 paid on supply in respect of which the details of invoice have not been furnished, is not available.]	1,50,000
5.	Raw material [“Buy one get one free” offer is not an individual supply of two goods, it is supply of two goods for the price of one. Thus, ITC is available on the inputs used in relation to supply of goods as part of said offer.]	1,50,000
	Total ITC	3,00,000

20. Computation of minimum net GST to be paid in cash by Vishnu Limited for the month of February 2026

Particulars	CGST (₹)	SGST (₹)
Output tax liability for the month	31,000	31,000
Less: Input tax credit (ITC) [Refer note below]	5,400 (IGST)	5,400 (IGST)
IGST credit is utilized first for payment of CGST and SGST liability in equal proportion. CGST credit is utilized for	<u>10,000 (CGST)</u>	<u>10,000 (SGST)</u>

payment of CGST liability and SGST credit is utilized for payment of SGST liability.		
Net GST payable (in cash)	15,600	15,600

Note: Person taking voluntary registration can avail ITC on inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration, i.e. on 23.02.2026, only within 1 year from date of issue of tax invoice by supplier.

Computation of eligible ITC available

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Capital goods [Person taking voluntary registration cannot avail ITC on capital goods held on the day immediately preceding the date of grant of registration.]	Nil	Nil	Nil
Input A procured on 13 th February 2025	Nil	Nil	Nil
Input B procured on 10 th October 2025	6,250	6,250	Nil
Input C procured on 1 st February 2026	3,750	3,750	Nil
Input D procured on 8 th February 2026	<u>Nil</u>	<u>Nil</u>	<u>10,800</u>
Total ITC	10,000	10,000	10,800

Note: In the above answer, minimum net GST to be paid in cash has been computed by setting off the IGST liability in equal proportion so as to minimize the amount of CGST and SGST payable in cash.

However, since IGST credit can be set off against CGST and SGST liability in any order and in any proportion, the same can be set off against CGST and/or SGST liabilities in other possible ways as well.

21. Computation of GST on outward supplies

Particulars	Amount (₹)
GST on outward taxable supplies for July 2026	9,54,000 [53,00,000 × 18%]

Computation of amount available in electronic credit ledger

Opening balance available in electronic credit ledger	1,12,500
ITC on total inward supplies [₹ 48,00,000 × 18%]	<u>8,64,000</u>
Total amount available in electronic credit ledger	9,76,500

It is important to note that where value of taxable supply of a registered person in a month exceeds ₹ 50 lakh, he cannot use the amount available in its electronic credit ledger to discharge the output tax liability beyond 99% of output tax liability. Above restriction is not applicable subject to specified exceptions.

However, in the given case, these exceptions will not be applicable since:

- (1) income tax paid in one of the last 2 financial years for which the time limit to file return of income under section 139(1) of the Income-tax Act had expired is not more than ₹ 1 lakh.
- (2) ITC refund on exports made without payment of tax in preceding financial year is not more than ₹ 1 lakh.

- (3) amount of output tax liability discharged in cash till June

$$= ₹ 13,000 \text{ [₹ 4,500 (₹ 5,500 - ₹ 1,000) + ₹ 4,500 (₹ 5,000 - ₹ 500) + ₹ 4,000]}$$

1% of total output tax liability, applied cumulatively, upto July month in the current financial year

$$= ₹ 20,540 \text{ [₹ 20,54,000 (3,60,000+3,20,000+4,20,000+9,54,000) × 1%]}$$

Thus, amount of output tax liability discharged in cash does not exceed 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year.

Hence, rule 86B will be applicable in given case since such exceptions are not applicable in the given case:

Accordingly, for the month of July 2026:

- (i) Maximum input tax credit (ITC) that can be utilized for payment of GST
 $= ₹ 9,44,460$ $[9,54,000 \times 99\%]$
- (ii) Net GST liability to be paid through electronic cash ledger
 $= ₹ 9,540$ $[9,54,000 \times 1\%]$

22. Computation of minimum net GST liability of SSP Ltd. to be paid in cash, for the month of October

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable on forward charge				
Supply of goods to Mr. Kartik, unregistered person [Tax is payable on taxable supply only and not on exempted supply. Further, it is an intra-State supply.]	5,00,000 [6,00,000 - 1,00,000]	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	-
Voucher issued to AVC Ltd. [It is not a supply as vouchers are neither goods nor services.]	50,000	-	-	-
Local delivery service provided through ECO - M/s B-kart) ²⁸ [Even though local delivery services	10,50,000	94,500 [10,50,000 × 9%]	94,500 [10,50,000 × 9%]	-

²⁸ Services by way of transportation of goods are exempt under GST. However, this exemption shall not apply to local delivery services provided by an Electronic Commerce Operator.

provided through an ECO are notified services, tax is not payable by ECO (M/s B-Kart) because supplier (SSP Ltd.) is registered. Thus, tax is payable by the supplier itself ²⁹ .				
Stock transfer to Ahmedabad branch with different GSTIN [Since branch has a separate GSTIN, it is a distinct person. Thus, stock transfer to said branch without consideration also qualifies as supply. Further, it is an intra-State supply.]	3,50,000	31,500 [3,50,000 x 9%]	31,500 [3,50,000 x 9%]	-
Pure labour construction service for commercial unit [Pure labour services are exempt only when provided for construction of a single residential unit not forming part of residential complex. Since in the given case, pure labour	6,00,000	-	-	1,08,000 [6,00,000 x 18%]

²⁹ The question clearly states that wherever details required to determine the place of supply are not given, the transaction should be treated as an intra-State supply. Since the recipient's location for the local delivery services is not provided in question, it is an intra-State supply.

services are being provided for construction of a commercial unit, same is not exempt. Further, it is an inter-State supply]				
Total output tax liability		1,71,000	1,71,000	1,08,000
Less: Total eligible ITC [Refer working note]				
IGST credit is first set off against IGST liability and then against SGST liability since CGST has opening balance of ITC.			(1,62,000)	(1,08,000)
CGST and SGST credit is set off against the CGST and SGST liability respectively.		(1,71,000)	(6,750)	
Net GST payable		Nil	2,250	Nil
Add: GST payable under reverse charge [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and has to be paid in cash.]				
Rent paid for office building [Since commercial immovable property has been rented out by unregistered person to registered	75,000	6,750	6,750	-

person, tax is payable under reverse charge.]				
Minimum GST liability to be paid in cash		6,750	9,000	Nil

Working Note:**Computation of total ITC available for set off:**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening Balance		1,75,000	-	-
Fees paid to practicing Chartered Accountant [Since supplier is not registered, no GST would have been charged and thus, no ITC is available. Further, tax on CA services is not payable under reverse charge even if supplier is unregistered.]	2,25,000	-	-	-
Purchase of taxable goods from VXT Ltd. [Full ITC is available since commercial/financial credit note issued does not reduce the GST liability. Further, it is an inter-State supply.]	15,00,000	-	-	2,70,000 [15,00,000 x 18%]

Rent paid for office building ³⁰ [Since commercial immovable property has been rented out by unregistered person to registered person, tax is payable under reverse charge and ITC on same is available. It is an intra-State supply.]	75,000	6,750 [75,000 x 9%]	6,750 [75,000 x 9%]	-
Total input tax credit³¹ available		1,81,750	6,750	2,70,000

23. (i) Computation of GST payable on outward supply

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Supply of televisions to M/s Shine Electronics Ltd. located at Ludhiana, Punjab [The credit note issued on 30.11.2026 is invalid as valid GST credit note can be issued till	20,00,000	1,80,000 [20,00,000 x 9%]	1,80,000 [20,00,000 x 9%]	Nil

³⁰ Since director, Mr. Rajan Yadav, has provided services of renting of immovable property to the company - SSP Ltd. – in his personal capacity, reverse charge provisions are not applicable under Entry 6 of Notification No. 13/2017 CT (R) dated 28.06.2017. However, reverse charge provisions are applicable under Entry 5AB.

³¹ Although SSP Ltd. has made exempt supplies, full credit is admissible for set-off since it has been provided in question that all inward supplies are used only for outward taxable supply.

30 th November 2025 (earlier of 30.11.2025 or 31.12.2025) and thus, GST liability will not be reduced in respect to such credit note.]				
Transfer of raw material to service centre located at Bhatinda. [Transfer of goods between two places of business with same GSTIN is NOT a supply]	1,80,000	Nil	Nil	
Advance received from M/s New Electro Divine for purchase of television [GST on advance received for supply of goods of ₹ 3,50,000 will be payable at the time of issuance of invoice.]				
Received advance from M/s. New Electro Divine for undertaking optional Annual Maintenance	50,000	Nil	Nil	9,000 [50,000 x 18%]

Charges (AMC) of television [GST on advance received for supply of services will be payable at the time of receipt of advance. Since the place of supply of services made to a registered person is location of recipient i.e. Delhi, it would be inter-State supply.]				
GST payable on outward supplies		1,80,000	1,80,000	9,000

(ii) Computation of GST payable under reverse charge mechanism

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Freight paid for transportation of television to a registered tempo owner who issued invoice without any GST. (RCM is applicable since GTA has provided service of transportation of goods by road to body corporate and GTA has not opted to pay GST itself.)	50,000	1,250 [50,000 x 2.5%]	1,250 [50,000 x 2.5%]	Nil

Paid rent of factory and service centre to Mr. Rakesh who is an unregistered person (Renting of immovable property other than residential dwelling from an unregistered person to a registered person is taxable under reverse charge mechanism)	1,20,000	10,800 [1,20,000 x 9%]	10,800 [1,20,000 x 9%]	Nil
Security services received from M/s Safety-n-Security Services registered under composition scheme at Jalandhar, Punjab. [Security services provided by any person other than a body corporate to a registered person (except a person registered under composition scheme) is taxable under reverse charge mechanism (RCM). Since here supplier, not recipient, is registered under composition scheme, RCM provisions are still applicable.]	25,000	2,250 [25,000 x 9%]	2,250 [25,000 x 9%]	Nil

Total GST payable under RCM		14,300	14,300	
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(iii) Computation of input tax credit available for November 2026

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Purchase of raw material from M/s Navrang Enterprises Pvt. Ltd. [The annual return for FY 2025-26 (the financial year to which this invoice pertains) was filed on 31.12.2026. Time limit for availing ITC on an invoice pertaining to a financial year is the earlier of 30th November of the succeeding financial year (30.11.2026) or the date of filing of the annual return for that financial year (here, 31.12.2026), whichever is earlier, i.e., 30.11.2026. Since the supplier furnished this invoice's details only on 18.11.2026, and consequently it is reflected only in the]	23,80,000	2,14,200 [23,80,000 x 9%]	2,14,200 [23,80,000 x 9%]	

recipient's GSTR-2B for November, generated on 14.12.2026, i.e., after the 30.11.2026 cut-off has already passed. ITC on a value of ₹ 1,20,000 (CGST ₹ 10,800 + SGST ₹ 10,800) is therefore time-barred and not available.]				
ITC is available on rent of factory and service centre paid under reverse charge mechanism	1,20,000	10,800 [1,20,000 x 9%]	10,800 [1,20,000 x 9%]	Nil
ITC is available on freight paid for transportation of television under reverse charge mechanism	50,000	1,250 [50,000 x 2.5%]	1,250 [50,000 x 2.5%]	Nil
ITC is available on security services used in course or furtherance of business	25,000	2,250 [25,000 x 9%]	2,250 [25,000 x 9%]	Nil
Total ITC available		2,28,500	2,28,500	

24. Computation of minimum net GST payable in cash for the month of January by Surya

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Business exhibition organized for Jignesh Industries [Taxable since services by an organiser to any person in respect of a business exhibition are exempt only when such exhibition is held outside India. Further, it is an inter-State supply since place of supply of organisation of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to an exhibition is location of recipient, i.e. Gujarat.]	20,00,000	-	-	3,60,000 [20,00,000 x 18%]
Provided accommodation services to CA students in hostel	2,20,000	19,800 [2,20,000 x 9%]	19,800 [2,20,000 x 9%]	-

[Supply of accommodation services having value of supply upto ₹ 20,000 per person per month are exempt provided that the accommodation service is supplied for a minimum continuous period of 90 days. Since in the given case, hostel accommodation charges per student per month exceed ₹ 20,000, said services are taxable. Further, it is an intra-State supply since the place of supply of services in relation to immovable property is the location of immovable property, i.e. Rajasthan.]				
Carnatic music performance [Classical musical performance by the artist -Surya is not exempt even though consideration	1,45,000	13,050 [1,45,000x 9%]	13,050 [1,45,000x 9%]	-

charged for such performance does not exceed ₹ 1,50,000 since he has performed as a brand ambassador. Further, it is an intra-State supply since the place of supply is location of recipient, i.e. Rajasthan.]				
Business correspondent services provided [Taxable since services provided in the capacity of a business correspondent to a banking company are exempt only when said services are provided with respect to accounts in its rural area branch.]	1,20,000	10,800 [1,20,000x 9%]	10,800 [1,20,000x 9%]	-
Renting of commercial property to Ganga Ltd. [Taxable since renting of only residential dwelling for use as residence is exempt. Further, since services are	3,00,000	27,000 [3,00,000 x 9%]	27,000 [3,00,000 x 9%]	-

being provided by director of the company in his personal capacity and supplier of services of renting of commercial property is a registered person, tax is payable under forward charge. Moreover, it is an intra-State supply since the place of supply of services in relation to immovable property is the location of immovable property, i.e. Rajasthan.]				
Total output tax liability (A)		70,650	70,650	3,60,000
Less: ITC available				
Business Summit sponsored [Since recipient of sponsorship services is an individual (Surya), tax is not payable under reverse charge. It is an intra-State supply since place of supply of sponsorship services is location	5,00,000	45,000 [5,00,000x 9%]	45,000 [5,00,000x 9%]	

of recipient, i.e. Rajasthan. Further, ITC is available on said service since it is used in course or furtherance of business.]				
Services of transportation of goods received from unregistered GTA [It is intra-State supply since the place of supply of services by way of transportation of goods provided to a registered recipient is location of such recipient, i.e., Rajasthan. Moreover, ITC is available on said service since it is used in course or furtherance of business.]	2,00,000	5,000 [2,00,000x 2.5%]	5,000 [2,00,000x 2.5%]	-
Taken cars on rental basis from Ajay Limited. [Tax is not payable under reverse charge since the recipient, Surya is not a body corporate and	1,50,000	3,750 [1,50,000x 2.5%]	3,750 [1,50,000x 2.5%]	-

supplier - Ajay Limited is a body corporate. It is an intra-State supply since place of supply of car rental services is location of recipient, i.e. Rajasthan. Further, ITC is available on said service since it is used by a registered person for making an outward taxable supply of the same category of services.]				
Total ITC available (B)		53,750	53,750	Nil
Net GST (A)-(B) [ITC of CGST and SGST has been utilized for payment of CGST and SGST liability respectively.]		16,900	16,900	3,60,000
<u>GST payable under reverse charge</u>				
Services of transportation of goods received from unregistered GTA [Since GTA is unregistered, it has not exercised the option to pay tax	2,00,000	5,000 [2,00,000x 2.5%]	5,000 [2,00,000x 2.5%]	

itself; thus, tax on services of transportation of goods being provided to a registered person is payable under reverse charge by Surya @ 2.5% each under CGST and SGST.]				
Total net GST payable in cash		21,900	21,900	3,60,000

25. Computation of net GST payable in cash by Craftmodel Ltd. for the month of January

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward intra-State supply of goods made in the State of Bihar. [Value of supply is the transaction value of the goods.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Outward supply of goods made to other States. [Value of supply is the transaction value of the goods.]			1,08,000 [6,00,000 × 18%]
Pledging of 5% equity shares to the merchant banker [Supply includes supply of goods and services. Shares being securities are neither goods nor services. Thus, pledging of shares which is			Nil

neither goods nor services is not a supply.]			
Intra-State stock transfer to Gaya Branch with no separate registration. [Stock transfer between 2 units of a legal entity under single registration is not a deemed supply under GST and hence, the same is not liable to tax under GST since branch with same GSTIN is not a distinct person.]	-	-	
Services of milling of paddy into rice. [Milling of paddy into rice cannot be considered as an intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce. Thus, it is not eligible for exemption.]	18,000 (2,00,000 x 9%)	18,000 (2,00,000 x 9%)	
Services of giving trucks on hire to a Governmental authority [Services by way of giving motor vehicles on hire to a Governmental authority are taxable.]	13,500 (1,50,000 x 9%)	13,500 (1,50,000 x 9%)	
Total output tax	67,500	67,500	1,08,000

Working Note:**Computation of ITC available for January**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State inward supply of services used in the course of business. [ITC cannot be availed by a registered person in respect of invoices, the details of which have not been furnished by the supplier in GSTR-1.]	85,500 (9,50,000 x 9%)	85,500 (9,50,000 x 9%)	-
Training course organized by IIM, Gujarat. [Not exempt. Short duration programmes offered by IIMs for which participation certificate is awarded are not 'qualification recognized by law'. ITC is available in respect of supply of services which are used in the course or furtherance of his business. Further, the place of supply of services in relation to training and performance appraisal to a registered person, shall be the location of such person. Thus, place of supply is Patna (Bihar). Further, where the location of the supplier and the place of supply are in two different States, it shall be treated as inter-State supply of services.	-	-	90,000 (5,00,000 x 18%)

Air tickets from Patna to Guwahati. [Transport of passengers by air terminating in an airport located in Assam is exempt from GST as said transportation is in economy class.]			
Cars taken on rental basis from Mr. Rahul. [Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and CGST/SGST is charged @ 2.5% each, is payable under reverse charge. Time of supply of such services is 1 st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month. Further, ITC on renting of motor car services received is blocked since the recipient - Craftmodel Ltd. is not in the same line of business]	--	--	--
Total ITC available	85,500	85,500	90,000

26.

Computation of GST payable

Particulars	Value of supply (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Services of transportation of students provided to Sanskar College [Services of transportation of students provided to an educational institution other than an institution providing pre-school education or education up to higher secondary school or equivalent, are not exempt.]	90,000	8,100 [90,000 x 9%]	8,100 [90,000 x 9%]	Nil
Services of milling of paddy into rice. [Milling of paddy into rice cannot be considered as an intermediate production process in relation to cultivation of plants for food, fibre or other similar products or agricultural produce. Thus, it is not eligible for exemption.]	1,80,000	16,200 [1,80,000 x 9%]	16,200 [1,80,000 x 9%]	Nil

Business exhibition organized for Ramesh Industries [Taxable since services by an organizer to any person in respect of a business exhibition are exempt only when such exhibition is held outside India. Further, it is an inter-State supply since the place of supply of services by way of organization of a cultural, artistic, sporting, scientific, educational or entertainment event including supply of services in relation to an exhibition in case of a registered recipient is location of such recipient, i.e. Delhi.]	20,00,000	Nil	Nil	3,60,000 [20,00,000 x 18%]
Training to employees of Aashiyana Interiors. [Taxable. Further, the place of supply of services in relation to training and performance appraisal provided to an unregistered person, shall be the location where the services are actually performed. Thus, place of supply is	1,00,000	9,000 [1,00,000 x 9%]	9,000 [1,00,000 x 9%]	Nil

Mumbai. Hence, it is an Intra-State supply.]				
Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/ non-banking financial company.]	30,000	2,700 [30,000 x 9%]	2,700 [30,000 x 9%]	Nil
Total GST payable under forward charge (A)		36,000	36,000	3,60,000
GST payable under reverse charge				
Services of transportation of goods received from unregistered GTA [It is intra-State supply since the place of supply of services by way of transportation of goods provided to a registered recipient is location of such recipient, i.e., Maharashtra.]	2,00,000	5,000 [2,00,000 x 2.5%]	5,000 [2,00,000 x 2.5%]	Nil
Sponsorship services received Sponsorship services provided by a non-				

body corporate to a body corporate or partnership firm are taxable under reverse charge. Since in the given case, recipient is an individual, tax is not payable under reverse charge.]				
Legal services availed from an advocate [Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge. Further, place of supply of services provided to a registered person is the location of such person. Thus, place of supply is Mumbai. Resultantly, same is an inter-State supply as supplier is located in Gujarat.]	1,60,000	Nil	Nil	28,800 [1,60,000 x 18%]
Total GST payable under reverse charge (B)		5,000	5,000	28,800

Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Services of transportation of goods received from unregistered GTA [ITC is available on said service since it is used in course or furtherance of business.]	2,00,000	5,000 [2,00,000 x 2.5%]	5,000 [2,00,000 x 2.5%]	Nil
ITC on sponsorship services (It is an intra-State supply since place of supply is Mumbai, Maharashtra, being the location of recipient. ITC is available on services used in the course or furtherance of business.)	1,50,000	13,500 [1,50,000 x 9%]	13,500 [1,50,000 x 9%]	Nil
Legal services availed from an advocate [ITC is available on services used in the course or furtherance of business.]	1,60,000	Nil	Nil	28,800 [1,60,000 x 18%]
Total ITC available		18,500	18,500	28,800

Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge	36,000	36,000	3,60,000
Less: ITC	<u>18,500</u>	<u>18,500</u>	<u>28,800</u>
	17,500	17,500	3,31,200
Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be set off against ITC and thus, will have to be paid in cash.]	<u>5,000</u>	<u>5,000</u>	<u>28,800</u>
Net GST payable in cash	22,500	22,500	3,60,000

27.

Computation of net GST payable in cash

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge				
Carnatic music performance given to promote a brand of readymade garments [Carnatic music performance by Mr. Prithviraj is not exempt from GST even though the consideration charged does not exceed ₹ 1,50,000 since said performance has been made by him as a brand ambassador.]	1,40,000	12,600	12,600	Nil

Services of transportation of students provided to Subhaskar College [Services of transportation of students provided to an educational institution other than an institution providing pre-school education or education up to higher secondary school, are not exempt.]	1,00,000	9,000	9,000	Nil
Services provided to Wealth Bank as a business correspondent [Services provided by a business correspondent to a banking company are not exempt when such services are provided with respect to accounts in its urban area branch.]	2,00,000	18,000	18,000	Nil
Services provided as a recovery agent [Tax is payable under forward charge since recovery agent's services are being provided to a person other than banking company/financial institution/ non-banking financial company.]	15,000	1,350	1,350	Nil
Total GST payable under forward charge (A)		40,950	40,950	Nil
GST payable under reverse charge				

Legal services availed from an advocate [Legal services received by a business entity with aggregate turnover in the preceding financial year exceeding threshold limit for registration (₹ 20 lakh) are not exempt and tax on the same is payable under reverse charge.]	1,75,000	Nil	Nil	31,500
Total GST payable under reverse charge (B)		Nil	Nil	31,500

Computation of total ITC available

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Outdoor catering services availed [ITC on outdoor catering services is blocked except when such services are (i) used by the taxpayer who is in the same line of business or (ii) provided by the employer to its employees under a statutory obligation.]	50,000	Nil	Nil	Nil
Legal services availed [ITC is available as said services are used in course or furtherance of business.]	1,75,000	Nil	Nil	31,500
General insurance taken on a car (seating capacity 5) used for official purposes	40,000	Nil	Nil	Nil

[ITC on motor vehicles for transportation of persons with seating capacity $\leq$ 13 persons (including the driver) is blocked except when the same are used for (i) making further taxable supply of such motor vehicles (ii) making taxable supply of transportation of passengers (iii) making taxable supply of imparting training on driving such motor vehicles. Further, ITC is not allowed on services of general insurance relating to such ineligible motor vehicles.]				
Total ITC available		Nil	Nil	31,500

Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
GST payable under forward charge	40,950	40,950	Nil
Less: ITC of IGST ³²	(15,750) IGST	(15,750) IGST	-
	25,200	25,200	Nil
Add: GST payable under reverse charge in cash [Tax payable under reverse charge, being not an output tax, cannot be	<u>Nil</u>	<u>Nil</u>	<u>31,500</u>

³² ITC of IGST can be utilised towards payment of CGST and SGST in any proportion and in any order. Therefore, there can be multiple ways of setting off of IGST credit against CGST and SGST liability and accordingly, in the given case, amount of net GST payable in cash under the heads of CGST and SGST will vary.

set off against ITC and thus, will have to be paid in cash.]			
Net GST payable in cash	25,200	25,200	31,500

Note: CGST and SGST is payable on the intra-State transaction and IGST is payable on the inter-State transactions.

28. Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% ³³ (₹)
GST payable (Refer working note A)	45,000	45,000	4,500
Less: ITC (Refer working note B) [First ITC of IGST should be utilized in full - first against IGST liability and then against CGST and SGST liabilities in a manner to minimize cash outflow]	(10,500) IGST (3)	(45,000) IGST (2)	(4,500) IGST (1)
	(34,500) CGST		
Add: GST payable under reverse charge on services received from GTA @ 5% [GST is payable by the recipient on reverse charge basis on the receipt of services of transportation of goods by road from GTA provided said GTA does not exercise option to pay GST and recipient is one of the specified recipients.]			10,000
Minimum net GST payable in cash	Nil	Nil	10,000

³³ Except services received from GTA

Working Note A - Computation of GST payable on outward supplies

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
(i)	Intra-State supply of goods for ₹ 4,00,000 [Note-1]	36,000	36,000	Nil
(ii)	Services rendered by way of labour contracts for repairing a single residential unit otherwise than as a part of residential complex [Note-2]	9,000	9,000	Nil
(iii)	Services provided by way of training in recreational activities relating to sports [Note-3]	Nil	Nil	1,800
(iv)	Inter-State security services provided to ABC higher secondary school for their annual day function to be held in Fintex Auditorium. [Note-4]	Nil	Nil	2,700
	Total GST payable	45,000	45,000	4,500

Notes

1. A registered person (excluding composition supplier) has to pay GST on the outward supply of goods at the time of supply as specified in section 12(2)(a), i.e. date of issue of invoice or the last date on which invoice ought to have been issued in terms of section 31. Thus, liability to pay tax on the advance received in January will also arise in the month of February, when the invoice for the supply is issued.
2. Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex are exempt. Labour contracts for repairing are thus, taxable.

3. Services by way of training or coaching in recreational activities relating to sports are exempt under GST, only if provided by charitable entities registered under section 12AB of the Income-tax Act. Thus, in the given case, said service is taxable.
4. Security services provided to ABC higher secondary School for Annual Day function organised outside the school campus will be taxable as only the security services performed within the premises of the higher secondary school are exempt.

Working Note B - Computation of total ITC

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% ³⁴ (₹)
Opening ITC	57,000	Nil	50,000
Add: Purchase of goods from a composition dealer [ITC on goods tax on which has been paid under composition scheme is blocked.]	Nil	Nil	Nil
Add: Membership of a club [Blocked credit]	Nil	Nil	Nil
Add: Goods transport services received from GTA taxable @ 5% [ITC is available for the services received from GTA.]	Nil	Nil	10,000
Add: Inputs to be received in 4 lots, out of which 2 nd lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil	Nil	Nil
Total ITC	57,000	Nil	60,000

³⁴ Except services received from GTA

29. Computation of net GST payable in cash

Particulars	Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Supply of machinery [Refer Working Note]	15,75,000			2,83,500
Less: ITC available				<u>2,18,000</u>
Net GST payable in cash				65,500

Note: IGST is payable on the inter-State transactions.

Working Note A - Computation of total value of taxable supply made by Chill Ltd. during the month of March

Particulars	Amount (₹)
List price of the machinery	10,00,000
Subsidy amounting to ₹ 2,10,000 received from the Central Government [Since the subsidy is received from the Government, the same is not includible in the value in terms of section 15(2)(e).]	Nil
Subsidy received from NGO [Since the subsidy is received from a non-Government body and directly linked to the supply, the same is includible in the value in terms of section 15(2)(e).]	2,00,000
Tax levied by the Municipal Authority [Includible in the value as per section 15(2)(a).]	2,50,000
Packing charges [Being incidental expenses, the same are includible in the value as per section 15(2)(c).]	1,25,000
Total value of taxable supplies	15,75,000

Working Note B - Computation of ITC that can be availed by Chill Ltd. for the month of March

Particulars	ITC (₹)
Raw Material [ITC not available as raw material is not received in March]	Nil
Membership of a club availed for employees working in the factory (not obligatory to be provided under any law) [ITC is blocked in terms of section 17(5) of the CGST Act, 2017]	Nil
Inputs to be received in 6 lots, out of which 1 st lot was received during the month [In case of goods received in lots, ITC can be taken only upon receipt of the last lot]	Nil
Trucks used for transport of raw material [ITC of GST paid on motor vehicles used for transportation of goods is allowed unconditionally]	1,50,000
Capital goods [ITC can be availed only on the basis of a valid document (invoice). Thus, GST paid on items for which invoice is missing, i.e. ₹ 2,82,000, is not available.]	68,000 _____
Total ITC	2,18,000

30. Computation of minimum net GST liability payable in cash by Mr. Karan for the month of February:

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Supplied goods to Jaara Enterprises [Inter State supply as the place of supply is Rajasthan being the location of the	1,80,000 [2,00,000-20,000]	-	-	32,400 [1,80,000 x 18%]

goods at the time when the movement of goods terminates. Further, post supply discount of ₹ 20,000 ($₹ 2,00,000 \times 10\%$) is deductible from value of supply.]				
Supply of machinery to Cool & Co. [Inter-State supply as place of supply is Tamil Nadu being the place of installation of machinery.]	6,00,000	-	-	1,08,000 [$6,00,000 \times 18\%$]
Supply of online educational journals to St. Peters High School [Supply of online educational journals to an institution providing services by way of education up to higher secondary school is taxable and not exempt. Further, it's an intra-State supply as place of supply is Kerala being location of recipient.]	25,000	2,250 [$25,000 \times 9\%$]	2,250 [$25,000 \times 9\%$]	-

Renting of commercial property to Safe Volt Limited [Intra-State supply as place of supply is Kerala being location of immovable property. Further, tax is not payable on said services under reverse charge since Mr. Karan rented his commercial property in his personal capacity and not in the capacity of a director and Mr. Karan - supplier of services of renting of commercial property - is a registered person.]	70,000	6,300 [70,000 × 9%]	6,300 [70,000 × 9%]	-
Supply of consignment of goods to Rasool Tea Estate [Green tax of ₹10,000 is includible in the value of supply, since any taxes levied under any law for the time being in force except: (i) under the CGST/SGST/ UTGST Act and GST	2,10,000 [2,00,000 + 10,000]	18,900 [2,10,000 × 9%]	18,900 [2,10,000 × 9%]	-

Compensation Cess Act OR (ii) under GST law, if charged separately by the supplier, is includible in the value of supply. Further, it's an intra-State supply as place of supply is Kerala being location of recipient.]				
Total output tax liability		27,450	27,450	1,40,400
<i>Less:</i> ITC available [Refer Working Note below] IGST credit is first utilized for payment of IGST and then for payment of SGST. CGST credit is utilized for payment of CGST liability. Remaining CGST credit cannot be utilized for payment of SGST as cross utilization of CGST and SGST is not permissible.]		(27,450)	(9,600)	(1,40,400)
Minimum net GST liability payable in cash		Nil	17,850	Nil

Working Note:**Computation of ITC available for set off**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening ITC	--	30,000	Nil	1,50,000
Payment made for construction of staff quarters within the factory premises [ITC in respect of works contract services used for construction of an immovable property (other than plant and machinery) is blocked]	1,25,000	Nil	Nil	-
Total		30,000	Nil	1,50,000

31. Computation of minimum net GST payable in cash by Zeon Ltd. for the month of September

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward supplies made within Jharkhand	2,16,000 [24,00,000 × 9%]	2,16,000 [24,00,000 × 9%]	
Outward supplies made outside Jharkhand			90,000 [5,00,000 × 18%]
Total output tax	2,16,000	2,16,000	90,000
Less: Input Tax Credit [Refer Working Note below]	-	5,000 (IGST)	(90,000) (IGST)
	1,73,000 (CGST)		

[IGST credit be first utilized for payment of IGST liability. Remaining IGST credit has been utilized for payment of SGST liability since the SGST liability is to be kept at minimum. After exhausting IGST credit, CGST and SGST credit to be utilized. CGST credit to be utilized for payment of CGST and SGST credit to be utilized for the payment of SGST. ITC of CGST cannot be utilized for payment of SGST and <i>vice versa</i>.]		1,58,000 (SGST)	
Minimum net GST payable in cash	43,000	53,000	Nil

Working Note:**Computation of ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance	20,000	5,000	95,000
Purchase of raw materials from registered dealers within Jharkhand [7,00,000 – 2,00,000] [ITC on purchases of goods worth	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	

₹ 2,00,000 on which tax has been paid under composition scheme is blocked. ITC on remaining purchases worth ₹ 5,00,000 is available, being supply of goods used/intended to be used in the course/furtherance of business.]			
Bus purchased from dealer in Jharkhand used to ferry 25 workers to and from factory [ITC on motor vehicles for transportation of persons with seating capacity > 13 persons (including the driver) used for any purpose is allowed.]	1,08,000 [12,00,000 × 9%]	1,08,000 [12,00,000 × 9%]	
Total ITC available	1,73,000	1,58,000	95,000

32. Computation of net GST payable in cash by Ajay Ltd. for the month of January

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Outward intra-State supply of goods made in the State of Bihar [Value of supply is the transaction value of the goods.]	36,000 [4,00,000 × 9%]	36,000 [4,00,000 × 9%]	
Outward supply of goods made to other States			18,000 [1,00,000 × 18%]

[Value of supply is the transaction value of the goods.]			
Inter-State services provided to State Government of Karnataka for conducting a computer training programme [Not exempt since the State Government has borne less than 75% of total expenditure of the training programme.]			90,000 [5,00,000 × 18%]
Intra-State stock transfer to Gaya Branch with separate registration [Supply of goods between distinct persons in course or furtherance of business qualifies as supply even if made without consideration.]	1,800 [20,000 × 9%]	1,800 [20,000 × 9%]	
Total output tax	37,800	37,800	1,08,000
Less: Input Tax Credit [Refer Working Note below] [CGST credit should be utilized for payment of CGST and IGST in that order. Similarly, SGST credit should be utilized for payment of SGST and IGST in that order. ITC of CGST cannot be utilized for payment of SGST and <i>vice versa</i> .]	(37,800) (CGST)		(7,200) (CGST)
		(37,800) (SGST)	(7,200) (SGST)
Net GST payable in cash	Nil	Nil	93,600

Working Note:**Computation of ITC available**

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State inward supply of services [₹ 6,50,000 – ₹1,50,000] [ITC cannot be claimed on the invoices which are not reflected in GSTR-2B for January.]	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]	--
Cars taken on rental basis from Mr. Mukesh [Tax on renting of motor car services wherein cost of fuel is included in consideration provided by a non-body corporate to a body corporate and invoice is issued charging CGST/SGST @ 2.5% is payable under reverse charge. Time of supply of such services is 1st February being earlier of date of payment, or date immediately following 60 days since issue of invoice by the supplier. Since the time of supply of renting of motor car services in the given case does not fall in January, tax liability on the same does not arise in said month. Further, ITC on renting of motor car services received is blocked since the recipient - Ajay Ltd. is not in the same line of business.]	--	--	--
Total ITC available	45,000	45,000	--

33. Computation of GST payable on outward supplies

S. No.	Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
(i)	Intra-State supply of goods for ₹ 10,00,000	90,000	<u>90,000</u>		1,80,000
(ii)	Inter-State supply of goods for ₹ 8,00,000			1,44,000	1,44,000
	Total GST payable				3,24,000
	Computation of total ITC				
Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)		
Opening ITC	57,000	60,000	1,40,000		
Add: ITC on Intra-State purchases of goods valuing ₹ 3,00,000	27,000	27,000	Nil		
Add: ITC on Inter-State purchases of goods valuing ₹ 2,50,000	Nil	Nil	45,000		
Total ITC	84,000	87,000	1,85,000		

Computation of minimum GST payable from electronic cash ledger

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)	Total (₹)
GST payable	90,000	90,000	1,44,000	3,24,000
Less: ITC [First ITC of IGST should be	(22,000) IGST	(19,000) IGST	(1,44,000) IGST	1,85,000

utilized in full - first against IGST liability and then against CGST or SGST liabilities in any order to minimize cash outflow]				
CGST and SGST ITC utilized against CGST and SGST output Tax liability respectively	(68,000) CGST	(71,000) SGST		1,39,000
Minimum GST payable in cash	Nil	Nil	Nil	Nil
ITC balance to be carried forward next month	16,000	16,000	Nil	32,000

34. Computation of net GST payable in cash by MLM Private Limited for the month of March

Particulars	Value (₹)	CGST (₹)	SGST (₹)
GST payable under forward charge			
Advance received from Mr. Gokul for business support services	2,00,000	18,000 [2,00,000 × 9%]	18,000 [2,00,000 × 9%]

[Tax is payable at the time of receipt of advance for supply of services.]			
Commissioning services under pure labour contract for multi-storeyed residential complex [Taxable, since pure labour contract services pertain to a residential complex.]	5,00,000	45,000 [5,00,000 × 9%]	45,000 [5,00,000 × 9%]
Intra-State branch transfer [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	--	--	--
Intra-State supply of goods to unrelated persons [Transaction value is the value of supply]	5,75,000	14,375 [5,75,000 × 2.5%]	14,375 [5,75,000 × 2.5%]
Total output tax		77,375	77,375
Less: ITC available		<u>45,750</u>	<u>45,750</u>
Net GST payable [A]		31,625	31,625
GST payable under reverse charge			
Services of an independent director availed [B] [Tax on services provided by a director to a company is payable under reverse charge. Further, tax payable under reverse charge cannot be set off against ITC and thus, has to be paid in cash since	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]

the tax payable under reverse charge is not an output tax.]			
Net GST payable in cash [A] + [B]		36,125	36,125

Working Note:**Computation of ITC available**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Car rental services [Tax is not payable under reverse charge mechanism since supplier is a body corporate. Further, no tax is payable under forward charge also since supplier is unregistered and thus, no ITC is available.]	--			
Intra-State inward supply of goods [ITC of goods used in the course/ furtherance of business is available.]	7,50,000	18,750 [7,50,000 × 2.5%]	18,750 [7,50,000 × 2.5%]	
Intra-State inward supply of services [ITC of services used in the course/ furtherance of business is available.]	2,50,000	22,500 [2,50,000 × 9%]	22,500 [2,50,000 × 9%]	
Services of an independent director availed	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	

[ITC of services used in the course/ furtherance of business is available.]				
Donation made to local old age home [Since there's no <i>quid pro quo</i> and thus, it is not a supply for the following reason: The name of donor – the company – is displayed in such a manner: • which can be said to be an expression of gratitude and public recognition of donor's act of philanthropy • which is not aimed at giving publicity/ advertisement/ promotion to the donor's business Hence, no ITC is available.]	--			
Total		45,750	45,750	

35. Computation of minimum net GST payable in cash by Evershine Pvt. Ltd. for the month of September

Particulars		Value of supply (₹)	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax payable					
Intra-State supply of goods to Vaidehi Enterprises [Since arranging freight is the liability of supplier, it is a composite supply and thus, freight charges are added to the value of principal supply.]	Place of supply is location where movement of goods terminates	18,50,000	1,66,500	1,66,500	Nil
Inter-State supply to Calc. Exim [Municipal tax is includible in value since it is a tax levied under a law other than GST law and is		35,60,000	Nil	Nil	6,40,800

charged separately.]					
Intra-State supply to Sunshine Ltd. [Place of supply is location of recipient. Discount given at the time of supply is deductible from the value since duly recorded in the invoice.]	5,70,000	51,300	51,300		Nil
Inter-State supply to Raghu Enterprise [Place of supply in case of bill to ship model is principal place of business of a third person at whose instructions the goods are delivered by supplier to recipient. Thus, it is considered as Inter State supply.]	2,00,000	Nil	Nil		36,000
Total output tax		2,17,800	2,17,800	6,76,800	
Less: ITC available [Refer note below] [IGST credit to be utilized first towards payment of IGST.]		Nil	Nil		(4,17,000)
CGST credit utilized for payment of CGST		(1,55,000)	Nil		
SGST credit utilized for payment of SGST		Nil	(1,85,000)		
Minimum net GST payable in cash		62,800	32,800	2,59,800	

Working Note:**Computation of ITC available**

Particulars		Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Opening balance			20,000	50,000	75,000
Inter-State purchase of raw material [ITC is not available on goods worth ₹ 1,00,000 since not received during the month.]	Place of supply is location where movement of goods terminates.	19,00,000	Nil	Nil	3,42,000 [19,00,000 × 18%]
Purchase of machinery [ITC is not available since depreciation has been claimed on the GST component.]		2,00,000	Nil	Nil	Nil
Intra-State purchase of truck [ITC on motor vehicles used for transportation of goods is available.]		15,00,000	1,35,000 [15,00,000 × 9%]	1,35,000 [15,00,000 × 9%]	Nil
Purchase of car		10,00,000	Nil	Nil	Nil

[ITC on motor vehicles for transportation of persons with seating capacity up to 13 persons (including driver), is blocked, except when used for specified purposes.]					
Purchase of goods for construction of an additional floor [ITC on goods used in construction of immovable property (other than plant or machinery) on one's own account is blocked if capitalized in the books.]		5,00,000	Nil	Nil	Nil
Total			1,55,000	1,85,000	4,17,000
Note – In above answer, where location of supplier and place of supply are in two different States, it is an inter-State supply and where location of supplier and place of supply are in same State, it is an intra-State supply.					

36. Computation of minimum net GST payable in cash by M/s Honest Enterprise for the month of December:

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
GST payable under forward charge				
Intra-State supply of goods to M/s Natural & Sons	7,00,000	17,500 [7,00,000 × 2.5%]	17,500 [7,00,000 × 2.5%]	
Intra-State branch transfer [Such transfer is not a supply as the branch has the same GSTIN as that of the head office and thus, is not a distinct person.]	1,00,000	--	--	
Advance received for future intra-State supply of management consultancy service (In case of supply of service, tax is payable at the time of receipt of advance amount too)	40,000	3,600 [40,000 × 9%]	3,600 [40,000 × 9%]	
Total output tax		21,100	21,100	
Less: ITC utilized		27,200	27,200	
Net GST payable [A]		Nil	Nil	
Legal services availed [B] [Tax on legal services availed by a business entity from an advocate is payable under reverse charge. Further, tax payable under reverse charge cannot be set off against ITC and	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	

thus, reverse charge has to be paid in cash since the tax payable under reverse charge is not an output tax.]				
Minimum payable [A] + [B]	net in	GST cash	4,500	4,500

Working Note:**Computation of ITC available**

Particulars	Value (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Intra-State purchase of taxable goods [ITC of goods used in the course/ furtherance of business is available.]	8,00,000	20,000 [8,00,000 × 2.5%]	20,000 [8,00,000 × 2.5%]	
Works contract service for repair of office [ITC is available since the repair amount is debited in the profit & loss account and not capitalized in the books of account.]	30,000	2,700 [30,000 × 9%]	2,700 [30,000 × 9%]	
Legal services availed [ITC of services used in the course/ furtherance of business is available]	50,000	4,500 [50,000 × 9%]	4,500 [50,000 × 9%]	
Total		27,200	27,200	

37. Computation of net GST payable in cash

Particulars	CGST @ 9% (₹)	SGST @ 9% (₹)	IGST @ 18% (₹)
Output tax liability [Refer Working Note]	31,500	31,500	54,000
Less: ITC available	<u>2,250</u>	<u>2,250</u>	—
Net GST payable	29,250	29,250	54,000
<i>Add:</i> Tax payable under reverse charge on rent paid on residential dwelling to be paid in cash [The amount available in the electronic credit ledger may be used for making any payment towards output tax. Further, output tax means the tax chargeable on taxable supply of goods and/or services but excludes tax payable on reverse charge basis. Thus, tax liability under reverse charge has to be paid in cash]	<u>2,250</u>	<u>2,250</u>	
Total GST payable in cash	31,500	31,500	54,000

Working Note

Computation of total value of taxable supplies made by M/s Cute & Co. for the month of October

Particulars	Amount (₹)	CGST (₹)	SGST (₹)	IGST (₹)
Taxable under forward charge				
Intra-State taxable supply of DSA service [Since DSA services are provided by partnership firm, so taxable under forward charge]	2,50,000	22,500	22,500	
Training and performance appraisal services to ABC Private Limited [Taxable; place of supply of services in relation to training and performance appraisal to a registered person, shall be the location of such person. Thus place of supply is Kerala and hence an inter-State transaction.]	3,00,000			54,000
Training and performance appraisal services to Babu Cones. [Taxable, place of supply of services in relation to training and performance appraisal to an	1,00,000	9,000	9,000	

unregistered person, shall be the location where the services are actually performed. Thus, place of supply is Bengaluru, hence Intra-State transaction]				
Total output tax payable under forward charge	-	31,500	31,500	54,000

Computation of ITC that can be availed by Chill Ltd. for the month of October

Particulars	CGST (₹)	SGST (₹)	IGST (₹)
Rent paid to residential dwelling [ITC is available since services are used in course or furtherance of business.]	2,250	2,250	-
Information Technology services [Import of services from a non-related person without consideration, in the course or furtherance of business is not a supply.]	Nil		
Purchase of car [Blocked credit in terms of section 17(5)]			Nil
Total ITC	2,250	2,250	-

- 38.** Section 16(2)(b) provides that no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless he has received the goods or services or both.

Explanation to section 16(2)(b) provides that it shall be deemed that the registered person has received the goods or, as the case may be, services,

where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise.

Further, it has been clarified vide a circular that in case of Ex-works contract, the property in the goods can be considered to have been passed on to the dealer by the Original Equipment Manufacturer (OEM) upon handing over of the said goods to the transporter at his factory gate, meaning thereby that the goods can be considered to have been delivered to the registered person (the dealer), through the transporter, by the supplier (the OEM) at his factory gate and the supply of the said goods can be considered to have fructified at the factory gate of the OEM, even though the goods may be physically received by the registered person (the dealer) after the transit period.

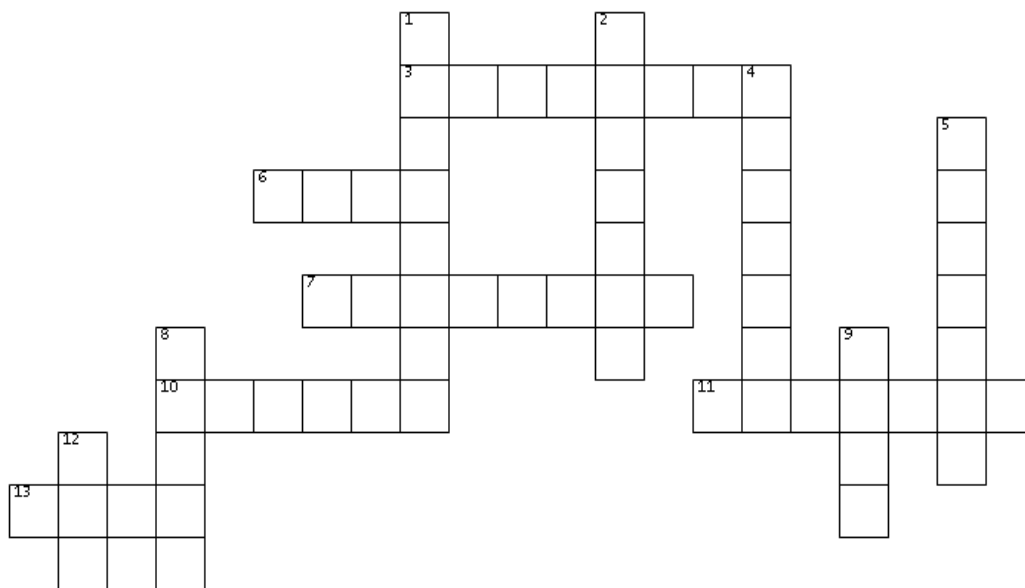
In the given case, since the contract between M/s Ganesh Traders (OEM) and MMPL (dealer) is ex-works, pick up vans are considered to be received by MMPL on 29th April i.e. the date on which the vans are handed over to the transporter, even though they were physically received in the month of May.

So, initially on 29th April, full ITC of ₹28 lakh [$₹10 \text{ lakh} \times 10 \text{ vans} \times 28\%$] can be availed while filing the return of the month of April.

Subsequently, after the receipt of vans in the showroom, 2 vans were destroyed due to fire and written off in the books.

So, ITC in respect of such vans, which was already availed has to be reversed while filing the return of the next month-May, since ITC on the goods, which are destroyed is not available in accordance with section 17(5) of the CGST Act, 2017.

The Amount of ITC which has to be reversed in the return of next month is = ₹5.6 lakh [$₹10 \text{ lakh} \times 2 \text{ vans} \times 28\%$].



ACROSS

3. Plant and machinery ____ pipelines laid outside the factory premises.
6. ITC on capital goods is reduced by ____% per quarter of a year or part of the year from the date of invoice in case a registered person who ceases to pay composition tax and switches to regular scheme.
7. A registered person is not entitled to take ITC in respect of any invoice after 30th ____ following the end of financial year to which such invoice pertains or furnishing of the relevant annual return, whichever is earlier.
10. ITC on ____ supplies received by a taxable person from a composition supplier is blocked.
11. ITC on cars purchased by a car dealer for sale to customers is ____.
13. Where the goods against an invoice are received in lots, the registered person is entitled to take credit upon receipt of the __lot.

DOWNWARDS

1. For availment of credit by registered person, services should have been actually _____.
2. _____ percent ITC can be claimed on invoices furnished by the suppliers in their GSTR-1s and reflected in GSTR-2B of recipient.
4. Motor vehicles exclude ____ purpose vehicles for being used in a factory.
5. ITC on works contract services availed by a manufacturing company for construction of pipelines to be laid outside its factory, is _____.
8. Where the value of taxable supply of a registered person exceeds ₹ _____ lakh in a month, he shall have to pay at least 1% of his output tax liability in cash.
9. ITC is not available in case of ____ goods.
12. Either depreciation on the ____ component can be claimed under Income-tax Act or ITC can be availed under GST law.

